Stock Code:8261

Advanced Power Electronics Co.,Ltd.

Parent Company Only Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Advanced Power Electronics Co., Ltd.

Opinion

We have audited the accompanying financial statements of Advanced Power Electronics Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The descriptions of the key audit matters of the 2018 financial statements are as follows:

Estimate for Impairment of Accounts Receivable

Refer to Note 5 and 11, the estimated impairment of accounts receivable of the Company involves the judgment made regarding payments likely unable to be collected. As is required by IAS 9, the management recognized the allowance for receivables according to the expected credit loss for the duration. The estimates above involve the subjective judgment of the management and hypothetical impacts based on credit risk. Therefore, we believe that the review for the impairment of accounts receivable is a key audit matter.

We evaluated the allowance assessment policy of the Company, tested the legitimacy of the expected credit impairment rate, and examined the delinquency of respective accounts receivable and asked for related reasons in order to verify the expected credit loss of accounts receivable.

Evaluation of inventories

Refer to Note 5 for the uncertainty of accounting estimations and assumptions for evaluation of inventories, Inventories are measured at the lower of cost or net realizable value, and the Company uses judgment and estimate to determine the net realizable value of inventory based on assumptions of the management. Therefore, we believe that the review for the evaluation of inventories is a key audit matter.

We have assessed the policy on allowance for inventory valuation loss, evaluated the legitimacy and performed sampling in order to examine the accuracy of the inventory age report. We also randomly inspected the latest selling prices and took part in the annual inventory check and observed the current inventory in order to evaluate the legitimacy of inventory valuation.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the audit committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 auditing standards generally accepted in the Republic of China 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 financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Wen-Chin Lin and Cheng-Ming Lee.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 21, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared andused in the ROC. If there is any conflict between the English version and the original Chinese version orany difference in the interpretation of the two versions, the Chinese-language independent auditors'report and financial statements shall prevail.

As the parent company only financial statements are the responsibility of the management, Deloitte & Touche 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.

Advanced Power Electronics Co., Ltd.

BALANCE SHEET
(In Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and Cash Equivalents (Notes 4 and 6)	$ 263,863	12	$ 255,672	14
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	533	-	-	-
Available-for-sale financial assets (Notes 4 and 8)	-	-	997	-
Debt instrument investment without active market (Notes 4 and 10)	-	-	14,608	1
Notes receivable (Note 11)	35,755	2	41,450	2
Accounts receivable (Notes 4, 5, and 11)	520,244	23	546,264	30
Accounts receivable - Related parties (Note 26)	12,238	-	9,187	1
Other receivables (Note 11)	30,569	1	24,560	1
Current tax assets	-	-	7,689	-
Inventories (Notes 4, 5, and 12)	695,816	31	440,334	24
Other current assets (Notes 15 and 26)	109,360	5	17,542	1
Total current assets	1,668,378	74	1,358,303	74
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Notes 4 and 7)	20,344	1	-	-
Available-for-sale financial assets (Notes 4 and 8)	-	-	17,352	1
Financial assets measured at cost (Notes 4 and 9)	-	-	5,133	-
Investments accounted for using equity method (Note 13)	106,042	5	135,843	7
Property, plant and equipment (Notes 4 and 14)	239,447	10	251,191	14
Intangible assets (Note 4)	5,178	-	3,724	-
Deferred tax assets (Notes 4 and 21)	40,974	2	54,531	3
Other non-current assets (Note 15)	187,471	8	17,722	1
Total non-current assets	599,456	26	485,496	26
TOTAL	$ 2,267,834	100	$ 1,843,799	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 250,000	11	$ 60,000	3
Notes payable	29,180	1	17,177	1
Accounts payable	452,812	20	388,574	21
Payables to related parties (Note 26)	3,569	-	-	-
Other payables (Note 17)	74,843	3	63,407	4
Current tax liabilities (Note 4)	12,760	1	6,139	-
Other current liabilities	7,274	1	4,964	-
Total current liabilities	830,438	37	540,261	29
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	144	-	-	-
Guarantee deposits	185	-	149	-
Total non-current liabilities	329	-	149	-
Total liabilities	830,767	37	540,410	29
EQUITY (Note 19)				
Common stock	813,405	36	813,405	44
Capital surplus	328,441	14	327,372	18
Retained earnings				
Legal reserve	37,891	2	33,970	2
Special reserve	35,250	1	37,932	2
Unappropriated earnings	297,543	13	125,960	7
Total retained earnings	370,684	16	197,862	11
Other equity interests	(75,463)	(3)	(35,250)	(2)
Total equity	1,437,067	63	1,303,389	71
TOTAL	$ 2,267,834	100	$ 1,843,799	100

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

Advanced Power Electronics Co., Ltd.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUES (Note 4)	$ 2,527,232	100	$ 2,022,785	100
OPERATING COSTS (Notes 12 and 20)	2,066,641	82	1,707,003	84
GROSS PROFIT FROM OPERATIONS	460,591	18	315,782	16
OPERATING EXPENSES (Note 20)				
Selling and marketing expenses	107,446	4	93,266	4
General and administrative expenses	78,179	3	59,074	3
Research and development expenses	66,426	3	75,702	4
Total operating expenses	252,051	10	228,042	11
PROFIT/(LOSS) FROM OPERATIONS	208,540	8	87,740	5
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 20)	8,099	-	6,086	-
Other gains and losses (Note 20)	14,086	1	(16,117)	(1)
Finance costs	(2,568)	-	(337)	-
Share of profit or loss of subsidiaries	(35,038)	(1)	(26,776)	(1)
Total non-operating income and expenses	15,421	-	(37,144)	(2)
PROFIT BEFORE INCOME TAX	193,119	8	50,596	3
INCOME TAX EXPENSE (Notes 4 and 21)	26,950	1	11,386	1
NET PROFIT FOR THE YEAR	166,169	7	39,210	2
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	($ 5,201)	-	$ -	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	6,571	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	1,478	-	(5,580)	-
Unrealized gain/(loss) on available-for-sale financial assets	-	-	7,072	-
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method	(524)	-	1,191	-
Other comprehensive income/(loss) for the year, net of income tax	2,324	-	2,683	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 168,493	7	$ 41,893	2
EARNINGS PER SHARE (Note 22)				
Basic	$ 2.04		$ 0.48	
Diluted	$ 2.03		$ 0.48	

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

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings				Other Equity Interests					
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating the Financial Statements of Foreign Operations	Unrealized Gain/(Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Unearned Stock-Based Employee Compensation	Total	Total Equity
BALANCE, JANUARY 1, 2017	$ 812,826	$ 323,362	$ 26,796	$ 34,120	$ 154,634	$ 215,550	$ 556	($ 38,489)	$ -	($ 1,834)	($ 39,767)	$ 1,311,971
Distribution of 2016 earnings												
Legal reserve	-	-	7,174	-	(7,174)	-	-	-	-	-	-	-
Special reserve	-	-	-	3,812	(3,812)	-	-	-	-	-	-	-
Cash dividends －NT$0.7 per share	-	-	-	-	(56,898)	(56,898)	-	-	-	-	-	(56,898)
From share of changes in equities of subsidiaries	-	3,373	-	-	-	-	-	-	-	-	-	3,373
Profit for the year ended December 31, 2017	-	-	-	-	39,210	39,210	-	-	-	-	-	39,210
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(4,389)	7,072	-	-	2,683	2,683
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	39,210	39,210	(4,389)	7,072	-	-	2,683	41,893
Issuance of ordinary shares under employee share options	579	637	-	-	-	-	-	-	-	-	-	1,216
Compensation of employee restricted shares	-	-	-	-	-	-	-	-	-	1,834	1,834	1,834
BALANCE, DECEMBER 31, 2017	813,405	327,372	33,970	37,932	125,960	197,862	(3,833)	(31,417)	-	-	(35,250)	1,303,389
Effect of retrospective application and retrospective restatement	-	-	-	-	43,422	43,422	-	31,417	(74,120)	-	(42,703)	719
ADJUSTED BALANCE, JANUARY 1, 2018	813,405	327,372	33,970	37,932	169,382	241,284	(3,833)	-	(74,120)	-	(77,953)	1,304,108
Distribution of 2017 earnings												
Legal reserve	-	-	3,921	-	(3,921)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(2,682)	2,682	-	-	-	-	-	-	-
Cash dividends －NT$0.45 per share	-	-	-	-	(36,603)	(36,603)	-	-	-	-	-	(36,603)
Profit for the year ended December 31, 2018	-	-	-	-	166,169	166,169	-	-	-	-	-	166,169
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	954	-	1,370	-	2,324	2,324
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	166,169	166,169	954	-	1,370	-	2,324	168,493
Compensation of employee share options	-	1,069	-	-	-	-	-	-	-	-	-	1,069
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(166)	(166)	-	-	166	-	166	-
BALANCE, DECEMBER 31, 2018	$ 813,405	$ 328,441	$ 37,891	$ 35,250	$ 297,543	$ 370,684	($ 2,879)	$ -	($ 72,584)	$ -	($ 75,463)	$ 1,437,067

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

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 193,119	$ 50,596
Adjustments for:		
Write-downs of inventories	(69,520)	(12,503)
Share of profit or loss of subsidiaries	35,038	26,776
Depreciation expense	19,035	24,536
Unrealized (gain)/loss on foreign currency exchange	(9,470)	19,011
Amortization expense	7,057	6,029
Interest income	(4,805)	(2,708)
Finance costs	2,568	337
Compensation costs of employee share options	1,069	1,834
Loss on disposal of investments, net	-	362
Changes in operating assets and liabilities:		
Notes receivable	5,695	(7,168)
Accounts receivable	37,709	(175,942)
Other receivables	(6,197)	(2,392)
Inventories	(185,962)	(20,762)
Other current assets	(91,818)	2,960
Net defined benefit liabilities	-	694
Notes payable	12,003	(10,056)
Accounts payable	56,950	54,439
Other payables	14,760	2,492
Other current liabilities	2,310	313
Net cash inflows generated from /(used in)operating activities	19,541	(41,152)
Interest received	4,993	2,809
Interest paid	(2,516)	(296)
Income taxes paid	(1,061)	(262)
Net cash from/(used in) in operating activities	(23,079)	(38,901)

(Continued)

Advanced Power Electronics Co., Ltd.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital return of financial assets at fair value through other comprehensive income	$ 411	$ -
Proceeds from disposal of financial assets at amortized cost	14,608	-
Proceeds from disposal of available-for-sale financial assets	-	815
Proceeds from sale of debt investments with no active market	-	37,473
Net cash outflow on acquisition of subsidiaries	-	(54,752)
Acquisition of property, plant and equipment	(10,716)	(12,204)
Increase in refundable deposits	(2)	(194)
Acquisition of intangible assets	(8,511)	(5,814)
Increase (Decrease) in other non-current assets	(169,747)	16,232
Net cash generated used in investing activities	(173,957)	(18,444)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	490,000	355,000
Decrease in short-term loans	(300,000)	(295,000)
Proceeds from guarantee deposits received	36	-
Cash dividends	(36,594)	(56,888)
Exercise of share options	-	1,216
Net cash generated from financing activities	153,442	4,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	5,627	(16,403)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	8,191	(69,420)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	255,672	325,092
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 263,863	$ 255,672

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

(Concluded).

Advanced Power Electronics Co., Ltd.

NOTES TO PARENT COMPANY ONLY FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Advanced Power Electronics Co., Ltd. ("APEC") was incorporated in Taiwan, the Republic of China ("ROC") on July 17, 1998. APEC is mainly engaged in the design of electronic elements, integrated circuits, semi-conductors, and the testing service.

APEC's stock was approved to be traded over the counter by the ROC Taipei Exchange on April 9, 2004 and was listed on the ROC Over-the-Counter ("OTC") Securities Exchange (known as The Taipei Exchange, TPEx) on April 15, 2004. On December 11, 2009, APEC's stock was shifted to be listed on the Taiwan Stock Exchange.

The Company's financial statements are presented in New Taiwan dollars (TWD), which is APEC's functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE FINANCIAL STATEMENTS

The Board of Directors approved the financial statements on March 21, 2019.

3. ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

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

   IFRS 9 "Financial Instruments" and related amendment

   IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Please refer to Note 4 for information relating to the relevant accounting policies.

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment on whether it would retrospectively applied those newly issued and/or amended accounting standards and interpretations. The following table shows the measurement categories and carrying amount under IAS 39 and IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Note
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 255,672	$ 255,672	-
Derivatives	Available-for-sale	Fair value through other comprehensive income (FVTOCI)	18,349	18,349	(a)
	Available-for-sale(financial assets at cost)	Fair value through other comprehensive income (FVTOCI)	5,133	8,139	(a)
Time deposits with original maturities within 3 months	Loans and receivables(Debt investments with no active market and measured at amortized cost)	Amortized cost	14,608	14,608	(b)
Notes and accounts receivable,other receivables	Loans and receivables	Amortized cost	621,461	621,461	(c)
Refundable deposits	Loans and receivables	Amortized cost	1,145	1,145	-

	Carrying Amount as of December 31, 2017 (IAS 39)	Reclassifi-cations	Remea-surements	Carrying Amount as of January 1, 2018 (IFRS 9)	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTOCI							
－Equity instruments							
Add:From available for sale(IAS 39)	$ -	$ 18,349	$ -	$ 18,349	$ 26,932	($ 26,932)	(a)
Add:From financial assets in available-for-sale（financial assets at cost）(IAS 39)	-	5,133	3,006	8,139	16,490	(13,484)	(a)
Total	$ -	$ 23,482	$ 3,006	$ 26,488	$ 43,422	($ 40,416)	

a).The Company elected to designate stocks investments previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. As a result, the related other equity - unrealized loss on available-for-sale financial assets of $31,417 thousand was reclassified to other equity - unrealized loss on financial assets at FVTOCI.

Investments in unlisted stocks previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

As a result of retrospective application, the adjustments would result in a increase in financial assets at FVTOCI and other equity - unrealized gain or loss on financial assets at FVTOCI of NT$3,006 thousand on January 1, 2018.

The Company recognized under IAS 39 impairment loss on investments in unlisted stocks previously measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $43,422 thousand in other equity and an increase of $43,422 thousand in retained earnings on January 1, 2018.

b). Debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c).Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost, with an assessment of expected credit losses under IFRS 9, respectively.

d).Since investments accounted for using equity method retrospectively applied IFRS 9, the Company reclassified other equity - unrealized gain (loss) on available-for-sale financial assets to other equity - unrealized gain (loss) on financial assets at FVTOCI. The application also resulted in a decrease of 2,288 thousand in other equity- unrealized gain (loss) on financial assets at FVTOCI.

b.Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC for application starting from 2019.

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by International Accounting Standards Board (IASB) (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
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

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

Note 2: The FSC permits the election for early adoption of the amendments starting from January 1, 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will choose to only evaluate contracts entered into (or changed) after January 1, 2019 to reassess whether a contract is, or contains, a lease in accordance with the definition of a lease under IFRS 16. Contracts that are reassessed as containing a lease will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments fall under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities and the interest portion will be classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts are recognized as expenses on a straight-line basis. The difference between the actual payments and the expenses, as adjusted for lease incentives, is recognized as accrued or prepaid expenses. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information will not be restated.

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

The Company expects to apply the following practical expedients:

1. The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
2. Leases that are completed prior to December 31, 2019 will be treated as short-term leases.
3. When weighing lease-associated liabilities, the determination over the lease period will be based on hindsight bias.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	$ -	$ 8,304	$ 8,304
Total effect on assets	$ -	$ 8,304	$ 8,304
Lease liabilities- Current	$ -	$ 4,380	$ 4,380
Lease liabilities-non-current	-	3,924	3,924
Total effect on liabilities	$ -	$ 8,304	$ 8,304

Except for the above potential impact, as of the date the financial statements were authorized for issue, the Company had assessed that the application of other standards and interpretations would not have significant impacts on the Company's financial position and financial performance.

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

New, Revised or Amended Standards and Interpretations	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

Basis of Preparation

The accompanying company only financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values and defined benefit liabilitiy that is carry amount less the fair value of net defined benefit obligation, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

Based on the extent that fair value can be observed, the fair value measurements are grouped into Levels 1 to 3:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: Inputs for the assets or liabilities are not based on observable market data (unobservable inputs).

In preparing the financial statements of each individual consolidated entity, the Company adopts the equity method for subsidiaries that it has investments in. In order for the profits and losses, other combined profits and losses, and equities of the year in this individual financial statement to be identical to those in the Company's consolidated financial statement, on the individual and consolidated bases, for several accounting differences, the "investments adopting the equity method," the "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method," "shares of profits and losses of subsidiaries, affiliates, and joint ventures recognized adopting the equity method", and related equity items were adjusted.

Classification of Current and Non-current Assets and Liabilities

Current assets include:

a. It holds the asset primarily for the purpose of trading;
b. It expects to realize the asset within twelve months after the reporting period; or
c. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used tosettle a liability for at least twelve months after the reporting period.

Current liabilities include:

a. It holds the liability primarily for the purpose of trading;
b.The liability is due to be settled within twelve months after the reporting period (liabilities for which long-term refinancing or re-arrangement of payment agreement is completed before the date shown on the balance sheet and before the financial report is approved and released also belong to current liabilities); or
c.The liability for which the repayment date cannot be extended unconditionally to more than twelve months after the end of the reporting period. 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.

Otherwise they are classified as non-current assets or non-current liabilities.

Foreign Currency

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the year in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

When preparing consolidated financial statements, the assets and liabilities of foreign operations are translated to TWD using the exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated at the average exchange rate for the period. Exchange differences are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

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

Inventories

Inventories include raw materials, in-process items, and finished products. Inventories are measured at the lower of cost or net realizable value. Inventories are assessed item by item, except those with similar characteristics which are assessed collectively. Net realizable value represents the estimated selling price of inventories less all estimated costs of completion and costsnecessary to make the sale. The weighted-average method is used in the calculation of cost.

Investment in Subsidiaries

Investments accounted for using the equity method include investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the subsidiary as well as the distribution received. The Company also recognized its share in the changes in the equity of subsidiaries.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the subsidiary and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of an associate equals or exceeds its interest in that associate, the Company discontinues recognizing its share of further losses.

The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses. Goodwill is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When evaluating impairment, the Company takes into consideration the cash generating units as a whole according to the financial statement and compares the recoverable value and book value. If the recoverable value of assets increases in the future, the impairment loss is reversed to be recognized as interest. The book value of the asset after reversal of impairment loss, however, may not exceed the book value after amortization that should be listed is subtracted without recognizing the impairment loss. The impairment loss that belongs to goodwill may not be reversed during the subsequent period.The impairment loss that belongs to goodwill may not be reversed during the subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides this, the Company shall account for all amounts previously recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Property, Plant and Equipment

Property, plant and equipment are initially recorded at cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives. The estimated useful lives, residual values and depreciation method arereviewed on the same basis as other identical categories of property, plant and equipment at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Software and system design costs - 3 years.

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

Impairment of Other Tangible and Intangible Assets (excluding goodwill)

At the end of each reporting period, the Company reviews the carrying amounts of those assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Animpairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unitis increased to the revised estimate of its recoverable amount, but the increased carrying amount does notexceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years (minus amortization or depreciation). A reversal of an impairment loss is recognized immediately in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized in balance sheets when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

a. Financial assets

The Company adopts trade-date accounting to recognize and derecognize financial assets.

1) Measurement category

2018

Financial assets are classified into the following categories: Financial assets at amortized cost, and investments in equity instruments at FVTOCI.

a) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortizedcost:

i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes and accounts receivable, other receivables and refundable deposits are measured at amortized cost, which equal to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the amortized cost of thefinancial asset.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Available-for-sale financial assets, and loans and receivables.

a) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated asavailable-for-sale or are not classified as loans and receivables, held-to-maturity financialassets or financial assets at fair value through profit or loss.

Available-for-sale financial assets are recognized initially at fair value. Changes in the carrying amount of available-for-sale financial assets from foreign exchange gains or losses and interest income using the effective interest method are recognized in profit and loss, while other changes in carrying amount are recognized in other comprehensive income (loss) and presented in unrealized gain (loss) on available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market or derivative instruments that are linked to such unquoted equity instruments and have to be settled by delivering the said equity instruments in nature and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in profit or loss or other comprehensive income.

b) Loans and receivables

Loans and receivables including cash and cash equivalents, notes and accounts receivable, debt instrument investment without active market and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

Cash equivalents include time deposits and bills sold under re-purchase agreements that are highly liquid, may be converted to a fixed value of cash at any time, and involve minimal risk in value change for the 3 months from the date of acquisition; they are used to fulfill short-term cash commitments.

2) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets at amortized cost (including receivables).

The loss allowances for receivables are measured at an amount equal to lifetime ECL. For other financial assets, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

ECLs reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset.

2017

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the prior receiving experience and changes in observable national or regional economic situations that have to do with the lag in receivables, among other factors.

For financial assets carried at amortized cost, the amount of the impairment loss is 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.

For financial assets measured at amortized cost, 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 recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment loss not been recognized.

For an available-for-sale investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

In addition, objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income (loss), and accumulated in other equity.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Except for being written off from the allowance account due to the impossibility of collecting accounts receivable, changes in the amount of the allowance account are recognized in profit or loss.

3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

Before 2017, On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting in 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of investments in equity instruments at FVTOCI, the cumulative gain or loss is directly transferred to retained earnings, and it is not reclassified to profit or loss.

b. Financial liabilities

1) Recognition

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

2) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

Revenue Recognition

2018

The Company's revenue is from the sale of semi-conductor products. Due to the fact that as soon as semi-conductor products are delivered to the location designated by a customer or in the beginning of shipment, the customer already is entitled to set and use prices of the products and is mainly responsible for their re-distribution and also undertakes the risk of the products being obsolete. The Company recognizes revenue and accounts receivable at such time point.

2017

Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Sales return is listed with the reasonably estimated value of return in the future according to prior experience and other factors concerned.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a. The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
c. The amount of revenue can be measured reliably;
d. It is probable that the economic benefits associated with the transaction will flow

to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For processing of self-owned materials, major risks and rewards associated with the ownership of processed products are not transferred. Therefore, the self-owned materials are not treated as sales.

Generally, revenue is recognized as goods are delivered and ownership is transferred.

Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are operating leases. Receivables collected are periodically recognized as rental income during the lease contract.

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. The initial direct cost generated by the negotiation and arrangement of business leases is added to the book value of leased assets and is recognized as expenses during the lease period on the straight-line basis.

The Company as lessee

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

Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

Employee Benefits

Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for service rendered by employees.

Retirement benefits

For defined contribution retirement benefit plans, payments to the benefit plan are recognized as an expense when the employees have rendered service entitling them to the contribution.

Employee Share-based Payment

Employee stock options/restricted employee stock are recognized at the fair value of the equity instrument on the issuance date and the expected vested best estimated quantity during the vesting period on the straight-line basis and the capital reserve-employee stock option/other equities (unearned employee remunerations) is adjusted at the same time. If immediately vested on the issuance date, all of them are recognized as expenses on the issuance date.

When issuing restricted employee stock, the Company recognizes other equities (unearned employee remunerations) on the issuance date and the capital reserve-restricted employee stock is adjusted at the same time. For paid issuance and when return of the value is required upon resignation of the employee as agreed upon, related payable amounts shall be recognized.

The Company modifies the estimated number of expected vested employee stock options/restricted employee stock on each balance sheet date. If the original estimated quantity is modified, the quantity affected is recognized as part of profits and losses and the accumulated expenses are made to reflect the modified estimates and the corresponding capital reserve - employee stock option/the capital reserve-restricted employee stock is adjusted, respectively.

Income Tax

1. Current taxes

   Income tax on unappropriated earnings (excluding earnings from foreign consolidated subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2. Deferred taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences and net operating loss carryforwards that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the aforementioned Company's accounting policies, the Company is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

a. Impairment assessment of Financial Assets (applicable to 2018)

The estimated impairment of accounts receivable and debt securities is based on the default rate and expected loss rate assumed by the Company. The Company takes into consideration historical experiences, current market condition, and prospective information while rendering assumptions and selecting the estimated input value of impairment. For the important assumptions and input values adopted, please refer to Notes 7, 8, and 11. If the actual cash flows in the future are below expectations, significant impairment loss may result.

b. Impairment assessment of Accounts receivable (applicable to 2017)

When there is objective evidence showing signs of impairment, the Company takes into consideration estimated cash flows in the future. The value of impairment loss is measured by the difference between the book value of the assets and the current value discounted at the original effective interest rate of the specific financial asset of estimated cash flows in the future (excluding the future credit loss yet to occur). If the actual cash flows in the future are below expectations, significant impairment loss may result.

c. Evaluation of inventories

Inventory net realisable value is the estimated balance of the estimated selling price during a normal business process minus the estimated cost yet to be devoted before completion and the estimated cost required for completing the sale. Such estimates are made according to the current market condition and historical sale experiences of similar products. Variation in market condition might be significant changes to the evaluation.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand and revolving funds	$ 60	$ 60
Bank check and demand deposit	194,387	137,901

	December 31	
	2018	2017
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	15,886
Repurchase agreements collateralized by bonds	69,416	101,825
	$263,863	$255,672

The interest rate bracket for bank deposits on the balance sheet date is as follows:

	December 31	
	2018	2017
Bank deposit	0.0001%-1.62%	0.001%-3.5%
Repurchase agreements collateralized by bonds	2.65%	1.5%-4.2%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-2018

	December 31,2018
Current	
Financial assets at fair value through other comprehensive income	$ 533
Non-current	
Financial assets at fair value through other comprehensive income	$ 20,344

Financial assets at fair value through other comprehensive income

	December 31,2018
Current	
Domestic investments	
Publicly traded stocks	$ 533
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 13,699
Non-publicly traded equity investments	6,645
	$ 20,344

The Company invests in the above-mentioned common stock according to mid-to-long-term strategic purpose and expects to make profits from long-term investments. The management of the Company believes that if variation in the short-term fair value of such investments is included as part of profits or losses, it is against the above-mentioned long-term investment plan. Therefore, such investments are chosen and designated to be measured at fair value through other comprehensive profits or losses. Such investments were originally categorized as available-for-sale financial assets according to IAS 39 (including financial assets measured at cost). Refer to Notes 3, 8, and 9 for information relating to their reclassification and comparative information for 2017.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS-2017

	December 31, 2017
Current	
Domestic investments	
Publicly traded stocks	$ 997
Non-current	
Domestic investments	
Publicly traded private placement stocks	$ 17,352

The available-for-sale financial assets-non-current invested in by the Company is private placement domestic listed stocks with trading restrictions - Advanced Microelectronic Products, Inc.。

9. FINANCIAL ASSETS CARRIED AT COST-2017

	December 31, 2017
Non-current	
Domestic unlisted stocks	$ 5,133
By the type of measure	
Available-for-sale	$ 5,133

For the above-mentioned domestic and foreign unlisted stocks held by the Company as part of investment, they are measured by the cost less impairment loss on the balance sheet date. Due to the fact that the range of reasonable estimates of the fair value is significant and that it is impossible to reasonably evaluate chances of respective estimates, the Company's management believes that the fair value cannot be reliably measured.

11. DEBT INSTRUMENT INVESTMENT WITHOUT ACTIVE MARKET-2017

	December 31, 2017
Current	
Periodic deposits more than 3 months past the original expiration date	$ 14,608

As of December 31, 2017, the interest rate bracket for time deposits with the original expiration date more than 3 months is the annual interest rate 3.50%, respectively.

11. ACCOUNTS, NOTES AND OTHER RECEIVABLE AND, NET

	December 31	
	2018	2017
Notes receivable		
From operating	$ 35,882	$ 41,577
Less: Loss allowance	(127)	(127)
	$ 35,755	$ 41,450
Accounts receivable		
Accounts receivable at amortized cost	$532,079	$558,099
Less: Loss allowance	(11,835)	(11,835)
	$520,244	$546,264
Other receivable		
Tax refund receivable	$ 30,352	$ 24,024
Others	217	536
	$ 30,569	$ 24,560

a. Accounts receivable

For the Year Ended December 31,2018

The main credit terms range from 60 to 150 days from the invoice date from the end of the month when the invoice is issued; no interest is calculated for accounts receivable.

Before accepting new customers, the Company evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Company adopts the simplified approach of IFRS 9 by recognizing the allowance loss for accounts receivable according to the expected credit loss for the duration. Expected credit loss for the duration is calculated with the prepared matrix, taking into consideration prior default records and current financial standing of the customer, industrial and economic situation, and also industrial prospects. As is shown by the historical experience in credit loss of the Company, there is no significant difference in the loss patterns among different customer populations. Therefore, the prepared matrix does not distinguish further the customer populations; instead, the expected credit loss rate is established only by the number of delinquent days for accounts receivable.

In case of any evidence showing that the counterparty is faced with serious financial difficulties and the Company cannot reasonably expect the recoverable amount, the Company writes off related accounts receivable directly; nevertheless, claims will continue and the recovered amounts are recognized under profits or losses.

The allowance loss measured by the Company with the prepared matrix for accounts receivable is as follows:

For the Year Ended December 31,2018

	Not Past Due	Overdue 1 to 90 days	Overdue 91 to 180 days	Overdue Over 180 days	Total
Gross carrying amount	$ 501,847	$ 27,396	$ 31	$ 2,805	$ 532,079
Loss allowance (Lifetime ECL)	(1,540)	(7,481)	(9)	(2,805)	(11,835)
Amortized cost	$ 500,307	$ 19,915	$ 22	$ -	$ 520,244

Movements of allowance for accounts receivables were as follows:

	For the Year Ended December 31 2018
Balance, January 1(IAS 39)	$ 11,835
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	11,835
Add:Impairment loss	-
Balance, December 31	$ 11,835

For the Year Ended December 31,2017

The Company's credit policy in 2017 was as same as the aforementioned credit policy in 2018.

The net accounts receivable aging analysis of the Company was as follows:

	December 31, 2017
Within 60 days	$ 399,776
61-90 days	117,611
over 91 days	40,712
Total	$ 558,099

The above is analyzed on the basis of the number of days since the account was created.

The aging analysis of past-due-but-no-impaired accounts receivable of the company was as follows:

	December 31, 2017
Past due within 90 days	$ 37,062

The above is analyzed on the basis of the number of days' delinquent.

Movements of allowance for accounts receivables by individual and collective assessment were as follows:

	Impairment loss on individual	Impairment loss on collective assessment	Total
Balance, January 1, 2017	$ 40,269	$ 11,962	$ 52,231
Less: Reclassification	-	-	-
Balance, December 31, 2017	$ 40,269	$ 11,962	$ 52,231

b. Doubtful receivables

The Company evaluates whether or not there is objective impairment evidence for major financial assets that are overdue on the balance sheet date, taking into consideration unfavorable changes that have occurred in the payment status of the counterparty and the increase in the number of overdue payments, among other signs, and classify them as doubtful receivables and allowance for doubtful receivables is appropriated in a full amount.

The Company recognized allowance for doubtful receivables of $38,559 thousand and $40,269 thousand for the years ended December 31, 2018 and 2017.

Movements of allowance for doubtful receivables were as follows:

	For the Year Ended December 31
	2018
Balance, January 1(IAS 39)	$ 40,269
Effect of retrospective application of IFRS 9	-
Balance, January 1(IFRS 9)	40,269
Less: Write-off	(1,710)
Balance, December 31	$ 38,559

12. INVENTORIES

	December 31	
	2018	**2017**
Raw materials	$ 50,249	$ 30,612
Work in process	456,618	294,492
Finished goods	188,949	115,230
	$695,816	$440,334

The cost of revenue realted to inventory for 2018 and 2017 was $ 2,066,641 thousand and $ 1,707,003 thousand, respectively. The cost of revenue included the reversal of write-down of inventories of $ 69,520 thousand and $ 12,503 thousand. The reversal of write-down of inventories is the result of disposing of the inventories for which have been write-down to net realizable value previously.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Subsidiaries	$106,042	$135,843

	Percentage of Ownership	
	December 31	
	2018	2017
Future Technology Consulting (B.V.I.),Inc. (Future)	100%	100%
Perfect Prime Limited(Perfect)	100%	100%
Green Power Semiconductor Co., Ltd. (GPS)	73.08%	73.08%

Green Power Semiconductor organized the capital increase with personal labor funding in September 2017. The holding ratio of the Company after the capital increase dropped to 73.08%. The Company obtained shares of OPC Microelectronics Corporation in April of the same year.

Profits and losses and other comprehensive profits and losses of subsidiaries using the equity method in 2018 and 2017 are recognized according to the financial statements audited by CPAs during the same period of respective subsidiaries.

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Computer Communication Equipment	Office Equipment	Lease Improvement	Other equipment	Total
Cost								
Balance, January 1, 2017	$ 61,590	$ 187,521	$ 113,391	$ 8,486	$ 10,690	$ 1,962	$ 146,548	$ 530,188
Additions	-	-	2,339	1,592	-	1,251	6,955	12,137
Balance, December 31, 2017	$ 61,590	$ 187,521	$ 115,730	$ 10,078	$ 10,690	$ 3,213	$ 153,503	$ 542,325
Accumulated depreciation								
Balance, January 1, 2017	$ -	$ 21,116	$ 97,879	$ 6,519	$ 8,820	$ 736	$ 131,528	$ 266,598
Depreciation	-	3,846	5,285	995	945	348	13,117	24,536
Balance, December 31, 2017	$ -	$ 24,962	$ 103,164	$ 7,514	$ 9,765	$ 1,084	$ 144,645	$ 291,134
Carrying amount, December 31, 2017	$ 61,590	$ 162,559	$ 12,566	$ 2,564	$ 925	$ 2,129	$ 8,858	$ 251,191
Cost								
Balance, January 1, 2018	$ 61,590	$ 187,521	$ 115,730	$ 10,078	$ 10,690	$ 3,213	$ 153,503	$ 542,325
Additions	-	-	807	998	-	-	5,486	7,291
Disposals	-	-	(203)	-	-	-	-	(203)
Balance, December 31, 2018	$ 61,590	$ 187,521	$ 116,334	$ 11,076	$ 10,690	$ 3,213	$ 158,989	$ 549,413
Accumulated depreciation								
Balance, January 1, 2018	$ -	$ 24,962	$ 103,164	$ 7,514	$ 9,765	$ 1,084	$ 144,645	$ 291,134
Depreciation	-	3,846	4,647	1,048	300	536	8,658	19,035
Disposals	-	-	(203)	-	-	-	-	(203)
Balance, December 31, 2018	$ -	$ 28,808	$ 107,608	$ 8,562	$ 10,065	$ 1,620	$ 153,303	$ 309,966
Carrying amount, December 31, 2018	$ 61,590	$ 158,713	$ 8,726	$ 2,514	$ 625	$ 1,593	$ 5,686	$ 239,447

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

Buildings	
Primary buildings	50 years
Mechanical and electrical equipment	15 years
Machinery and Equipment	6 years
Computer Communication Equipment	3-7 years
Office Equipment	5 years
Lease Improvement	5 years
Other equipment	2-5 years

For property, plant and equipment set to be secured borrowings, refer to Note 27.

15. OTHER ASSETS

	December 31	
	2018	**2017**
Curren		
Pre-payment for purchase	$105,562	$ 6,638
Others	3,798	10,904
	$109,360	$ 17,542
Non-current		
Long-term pre-payment for purchase	$186,326	$ 16,579
Refundable deposits	1,145	1,143
	$187,471	$ 17,722

In order to ensure steady packaging capacity and reduce packaging cost, the Company signs a throughput guarantee contract with the packaging manufacturer and pays for the purchases over the long term prepayments in order to ensure fulfillment of the contract.

16. SHORT-TERM BORROWINGS

	December 31	
	2018	**2017**
Secured loans		
－debt payable - bank	$ 80,000	$ 45,000
Unsecured loans		
－debt payable - bank	170,000	15,000
	$ 250,000	$ 60,000

The annual interest rate of bank revolving loans was 1.17% to 1.20% and 1.15% to 1.20%, respectively, in 2018 and 2017.

17. OTHER PAYABLES

	December 31	
	2018	2017
Curren		
Payable salaries and rewards	$ 30,034	$ 31,434
Payable remunerations for employees and directors	20,272	5,382
Payables on equipment	1,016	4,442
Payables on professional service fees	1,200	1,200
Others	22,321	20,949
	$ 74,843	$ 63,407

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

APEC adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed and defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

b. Defined benefit plans

The pension fund system organized by APEC according to the "Labor Standards Act" of Taiwan is the defined benefit retirement plan managed by the government. The payment of pension fund for employees is calculated by the years of service and the average monthly salary for the six months prior to the approved date of retirement. APEC sets aside the retirement fund at 4% of the total value of the monthly salary for each employee. It is given to the Labor Pension Fund Reserve Supervisory Committee and deposited in the account with the Bank of Taiwan in the name of the said Committee. Before a year ends, if the estimated balance in the dedicated account is insufficient to pay workers that are expected to fulfill the retirement criteria within a year, the difference will be appropriated in a lump sum by the end of March of the coming year. The dedicated account is managed as authorized to the Bureau of Labor Funds, Ministry of Labor. APEC does not have the right to affect the investment management strategy.

APEC already followed the requirements of the Labor Standards Act and applicable laws and regulations in March 2017 by settling years in service of all employees by June 30, 2005.

19. EQUITY

a. Capital stock

	December 31	
	2018	2017
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$ 2,000,000	$ 2,000,000

	December 31	
	2018	2017
Issued and paid shares (in thousands)	81,341	81,341
Issued capital	$ 813,405	$ 813,405

A holder of issued common shares with par value of $10 per share is entitled to vote and to receive dividends.

b. Capital surplus

	December 31	
	2018	2017
For make-up accumulated deficit, distributed as cash dividends, be transferred to capital as stock dividends(1)		
Additional paid-in capital	$243,984	$243,984
Treasury stock transactions	12,728	12,728
Only for make-up accumulated deficit		
Expired stock option (2)	67,287	67,287
Cannot be used by any means		
Employee stock option	1,069	-
From share of changes in equities of subsidiaries (3)	3,373	3,373
	$328,441	$327,372

1). Such capital surplus may be applied to make-up accumulated deficit, if any, or be transferred to capital as stock dividends, or be distributed as cash dividends when there is no accumulated deficit, and this transfer is restricted to a certain percentage of the paid-in capital.

2). Such capital surplus is the adjustment made to employee stock options with no cash inflows and upon expiration of convertible bonds.

3). Such capital surplus is the adjustment made in the transaction of equities recognized due to variation in the subsidiary's equities when the Company does not actually acquire or dispose of the subsidiary's stock options or when the capital reserve of the subsidiary is recognized by the Company using the equity method.

c. Retained earnings and dividend policy

In accordance with the policy, APEC's profits earned in a fiscal year shall first be set aside to pay the applicable taxes, offset losses, and set aside 10% of the profits for legal reserve pursuant to laws and regulations, unless the legal reserve has reached APEC's total paid-up capital. The remaining profits shall be set aside for special reserve in accordance with laws, regulations, or business requirements. Any further remaining profits plus unappropriated earnings shall be distributed in accordance with the proposal submitted by the Board of Directors for approval at a stockholders' meeting.

APEC's Articles of Incorporation provide the policy about the profit sharing bonus to employees, please refer to Note 20(e). Employee benefits expenses.

In light of the fact that APEC is in the business growth phase, to go with the demand for capital in the future and the long-term financial planning as well as to fulfill the demand of shareholders for cash flows, APEC appropriates and assigns dividends to shareholders according to the earnings available for distribution in the preceding paragraph. Cash dividends, in particular, may not be below 10% of the overall dividend value. The type and ratio of such earnings to be distributed, however, may depend on the actual profits and capital conditions of the year and be adjusted once decided through the shareholders' meeting.

According to the ROC Company Act, a company shall first set aside its earning for legal reserve until it equals the paid-in capital. The legal reserve may offset losses. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted in the stockholders' meeting.

APEC distributes and reverses special reserve in accordance with Decree No. 1010012865, Decree No. 1010047490, and "The Q&A for special reserve recognition after adopting IFRS" issued by the FSC.

The 2017 and 2016 earnings appropriations having been resolved in the AGM on May 17, 2018 and May 17, 2017, respectively, were as follows:

	Appropriation of Earnings		**Dividends Per Share ($)**	
	For Fiscal Year 2017	**For Fiscal Year 2016**	**For Fiscal Year 2017**	**For Fiscal Year 2016**
Appropriation of legal reserve	$ 3,921	$ 7,174		
Reversal from special reserve	(2,682)	3,812		
Cash dividends to stockholders	36,603	56,898	$ 0.45	$ 0.7

The 2018 earnings distribution proposal stipulated on March 21, 2019 by the APEC's Board of Directors is as follows:

	Appropriation of Earnings	**Dividends Per Share($)**
Appropriation of legal reserve	$16,617	
Reversal from special reserve	40,213	
Cash dividends to stockholders	81,340	$ 1

APEC's 2018 earnings appropriations will be proposed by the Board of Directors and approved at the AGM on May 16, 2019.

d. Other equity interests

1). Unrealized gains or loss on available-for-sale financial assets

Balance, January 1, 2017	($ 38,489)
Current period	
Unrealized Gain	7,434
Reclassification	
Loss on disposal of available-for-sale financial assets	(362)
Balance, December 31, 2017	($ 31,417)
Balance, January 1, 2018 (IAS 39)	($ 31,417)
Effect of retrospective application of IFRS 9	31,417
Balance, December 31, 2018 (IFRS 9)	$ -

2). Unrealized gains or loss on FVTOCI financial assets

	For the Year Ended December 31
	2018
Balance, January 1 (IAS 39)	$ -
Effect of retrospective application of IFRS 9	(74,120)
Balance, January 1 (IFRS 9)	(74,120)
Current period	
Unrealized gains or loss－equity instrument	1,370
The accumulated disposal gains or loss of equity instrument transferred to the retained earning	166
Balance, December 31	($ 72,584)

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 4,805	$ 2,708
Rent income	1,366	1,705
Other income	1,928	1,673
	$ 8,099	$ 6,086

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Loss on disposal of available-for-sale financial assets	$ -	($ 362)
Gain (loss) on foreign exchange	14,949	(15,120)
Others	(863)	(635)
	$ 14,086	($ 16,117)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation of property, plant and equipment	$ 19,035	$ 24,536
Amortization of intangible assets	7,057	6,029
Total	$ 26,092	$ 30,565
Depreciation expense classified by function		
Classified as operating costs	$ 11,554	$ 16,008
Classified as operating expenses	7,481	8,528
Total	$ 19,035	$ 24,536
Amortization expense classified by function		
Classified as operating costs	$ 543	$ 859
Classified as operating expenses	6,514	5,170
Total	$ 7,057	$ 6,029

d. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salary	$171,318	$147,388
Insurance expenses	11,570	10,833
Others	4,448	4,439
Post-employment benefits(Note18)		
Defined contribution plans	6,328	6,144
Defined benefit plans	-	256
Share-based Payment	1,069	1,834
Total	$194,733	$170,894
Classified by function		
Classified as operating costs	$ 36,542	$ 35,637
Classified as operating expenses	158,191	135,257
	$194,733	$170,894

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Salary	$ 30,662	$ 137,455	$ 168,117	$ 30,543	$ 115,995	$ 146,538
Insurance expenses	3,033	8,537	11,570	2,386	8,447	10,833
Pension	1,591	4,737	6,328	1,521	4,879	6,400
Compensation of directors	-	3,676	3,676	-	1,345	1,345
Share-based Payment	-	1,069	1,069	-	1,834	1,834
Others	1,256	2,717	3,973	1,187	2,757	3,944
Total	$ 36,542	$ 158,191	$ 194,733	$ 35,637	$ 135,257	$ 170,894

As of December 31, 2018 and 2017, the number of employees at the Company was 144 and 152, respectively. The number of directors who are not also employees was consistently 7. The calculation basis is the same as that for employee benefits.

e.employees' compensation and remuneration of directors

In cases of profits for the year of the APEC, the estimated employees' compensation and remuneration of directors are set at the rates no less than 8% and no higher than 3%, respectively.

The employees' compensation and remuneration of directors of 2018 and 2017 shown below were approved by the Board of Directors on March 21, 2019 and March 22, 2018, respectively.

Estimated ratio

	For the Year Ended December 31	
	2018	2017
Employees' Compensation	8%	8.1%
Remuneration of Directors	1.50%	1.52%

Amount

	For the Year Ended December 31	
	2018	2017
	Paid in Cash	Paid in Cash
Employees' Compensation	$ 17,071	$ 4,532
Remuneration of Directors	3,201	850

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

The actual amount distributed of remunerations for employees and directors of 2017 and 2016 is not different from the value recognized in the financial statements of 2017 and 2016.

Information on the employees' compensation and remuneration of directors approved by the Board of Directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

21. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
Current period	$ 13,243	$ 6,401
Income tax adjustments on prior years	6	-
	13,249	6,401
Deferred income		
Current period	$ 23,324	$ 4,985
Effect of tax rate changes	(9,623)	-
Income tax expense recognized in profit or loss	$ 26,950	$ 11,386

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	For the Year Ended December 31	
	2018	2017
Income before tax	$193,119	$ 50,596
Income tax expense at the statutory rate (20% in 2018 and 17% in 2017)	$ 38,624	$ 8,601
Nondeductible items in determining taxable income	3,404	1,973
Temporary differences	78	3,351
Additional income tax on unappropriated earnings	137	204
Investment tax credits	(5,676)	(2,743)
Effect of tax rate changes	(9,623)	-
Prior years' other adjustments	6	-
Income tax expense recognized in profit or loss	$ 26,950	$ 11,386

For the year ended December 31, 2017, the Company applied a tax rate of 17% for entities subject to the R.O.C. Income Tax Law. In February 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated earnings was reduced from 10% to 5%.

Due to the fact that uncertainties remain for the distribution of earnings as determined through the 2019 shareholders' meeting, consequences of the additional 5% potential income tax levied of undistributed earnings of 2018 cannot be reliably determined yet.

b. Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018and 2017, were as follows:

2018

	Balance at the beginning of the year	Recognized as part of profits and losses	Balance at the end of the year
Deferred income tax asset			
Allowance for losses from falling prices of inventory	$ 26,471	($ 9,233)	$ 17,238
Losses from investments recognized adopting the equity method	8,590	5,120	13,710
Allowance for uncollectible accounts	$ 7,776	$ 1,090	$ 8,866
Unrealized exchange losses	160	(160)	-
Financial assets	986	174	1,160
	43,983	(3,009)	40,974
Loss carryforwards	10,548	(10,548)	-
	$ 54,531	($ 13,557)	$ 40,974
Deferred income tax liabilities			
Unrealized exchange gains	$ -	$ 144	$ 144

2017

	Balance at the beginning of the year	Recognized as part of profits and losses	Balance at the end of the year
Deferred income tax assets			
Allowance for losses from falling prices of inventory	$ 28,596	($ 2,125)	$ 26,471
Losses from investments recognized adopting the equity method	8,323	267	8,590
Intangible assets	2,505	(2,505)	-
Allowance for uncollectible accounts	8,275	(499)	7,776
Unrealized exchange gains	-	160	160
Financial assets	986	-	986
Net defined benefit liability	46	(46)	-
	48,731	(4,748)	43,983
Loss carryforwards	11,120	(572)	10,548
	$ 59,851	($ 5,320)	$ 54,531
Deferred income tax liabilities			
Unrealized exchange gains	$ 335	($ 335)	$ -

c. Income tax examination

The income tax returns before 2016 have been examined and cleared by the tax authorities.

22. EARNINGS PER SHARE

Earnings and weighted average shares of common stock used to calculate earnings per share are as follows:

Net profit for the current year

	2018	2017
Net profits for calculating fundamental earnings per share	$ 166,169	$ 39,210
Impacts of dilutive potential common stock:		
Remunerations for employees	-	-
Employee stock option	-	-
Restricted employee stock	-	-
Net profits for calculating diluted earnings per share	$ 166,169	$ 39,210

Number of shares

Unit: Thousand shares

	2018	2017
Weighted average shares of common stock used to calculate fundamental earnings per share	81,341	81,145
Impacts of dilutive potential common stock:		
Remunerations for employees	587	206
Employee stock option	26	13
Restricted employee stock	-	146
Weighted average shares of common stock used to calculate diluted earnings per share	81,954	81,510

If the Company can choose to issue employee remunerations in the form of shares or cash, in the calculation of diluted earnings per share, it is assumed that issuance of shares will be adopted for employee remunerations and the weighted average outstanding shares are included in the calculation when the said common stock exercises the diluting effect in order to calculate the diluted earnings per share. When the diluted earnings per share are calculated prior to issuance of shares as employee remunerations as determined in the following year, the diluting effect from the said potential common stock shall continue to be taken into consideration, too.

23. SHARE-BASED COMPENSATION EXPENSES

a. Employee Stock Option Plan

The employee stock option approved by the competent authority to be issued on May 2, 2018, November 8, 2011, and May 12, 2009 by the Company are 2,000 units, 2,500 units, and 2,500 units (referred to hereinafter as the "2018 Stock Option Plan, the "2011 Stock Option Plan," and the "2009 Stock Option Plan," respectively). Each unit can purchase 1,000 shares of the Company's common stock. The beneficiaries are employees meeting specific criteria of the Company. The employee stock options are valid for 6 years from the issuance. The holders may exercise the stock options in installments two years after the issuance. The exercise price under the plan shall not be less than the closing price of the Company's common stock at the issuance. After the stock option is issued, in case of variation to the common stock shares of the Company, the exercise price of the stock option will be adjusted according to the specified formula. In order to inspire employees and retain professionals, upon consent from the employee stock option holder to automatic distention of the existing "2009 Stock Option Plan," the Company may replace the canceled equity instruments with the newly released "2011 Stock Option Plan."

Related information of the employee stock option is as follows:

	For the Year Ended December 31			
	2018		2017	
	No. of shares (in thousands)	Weighted-average exercise price	No. of shares (in thousands)	Weighted-average exercise price
Options outstanding at beginning of year	-	$ -	264	$ 21.70
Options granted	2,000	27.90	-	-
Options exercised	-	-	(58)	21.00
Options expired upon resignation	(1,515)	27.90	(190)	21.00
Options expired	-	-	(16)	21.00
Options outstanding at end of year	485	27.90	-	-
Options exercisable at end of year	-	-	-	-
Weighted average fair value of options granted this year ($)	$ 9.31		$ -	

Related information of the outstanding employee stock option is as follows:

	December 31	
	2018	2017
Range of exercise prices ($)	$ 27.90	$ -
Weighted average residual contract period (year)	5.36	-

The Company recognized expenses incurred on share-based compensation of $1,069 thousand and $0 thousand for the years ended December 31, 2018 and 2017.

b. Employee restricted stock

In May 14 2014, the shareholders' meeting of the Company approved to issue 5,000 thousand shares of employee restricted stock totaling $ 50,000 thousand in value.The par value of each share is $10 and each share will be issued without consideration. The Board of Directors was authorized to decide the issuance price on the date they would be issued.The Board of Directors during its meeting on August 12, 2014 adopted a resolution to issue 1,810 thousand employee restricted shares with the effective date set on August 15, 2014. The decision of the fair value was based on the closing price of $25.15 (in dollars) at the grant date.

The ratio of shares to be fulfilled under the vesting criteria starting is as follows from the date when employees are assigned with restricted employee stock and upon expiration of each of the following esting periods and when the overall financial performance of the Company is positive according to the after-tax net profits shown in the annual financial statement audited by the independent auditor for the year and personal performance of Class A and above are fulfilled and the code of conduct is properly fulfilled:

One-year anniversary in service: 30% of shares available for assignment.
Two-year anniversary in service: 30% of shares available for assignment.
Three-year anniversary in service: 40% of shares available for assignment.

The Company enters into the trust contract on behalf of employees with the share trust custodian institution.

Restricted rights of employees assigned with or having subscribed to new shares yet failing to fulfill the vesting criteria are as follows:

1). Except for inheritance, they may not sell, place as collateral, assignment, give away as gift, set as pledge, or dispose of in other ways restricted employee stock.
2). Attending, proposal of, speech, and voting rights in the shareholders' meeting are based on the trust custodianship contract.
3). Cash dividends, share dividends, and assigned reserve in cash (shares) associated with restricted employee stock are all sent for trusteeship. When vesting criteria are not fulfilled, the Company will recall the cash according to applicable requirements and cancel the registration by law for assigned cash dividends, share dividends, or reserve in cash (shares).

When employees fail to fulfill vesting criteria, the Company will recall the granted restricted employee stock free of charge and cancel the registration by law. In addition, the handling method in case of inheritance is to be based on applicable requirements for the guidelines for issuance of restricted employee stock.

The cost of remunerations recognized for 2018 and 2017 from the issuance of restricted employee stock was $ 0 thousand and $ 1,834 thousand, respectively.

24. CAPITAL MANAGEMENT

The Company manages capital to ensure that under the premise of continuous operation, by optimizing the balance of debts and equities so that rewards for shareholders may be maximized. In other words, the Company manages its capital for the sake of ensuring that necessary financial resources and operational plans are available to support required operating funds, capital expenditure, costs of research and development, pay-off of debts, and expenditure on dividends, among others, in the 12 months that follow.

The Company's capital structure consists of the Company's equities (that is, capital stock, capital reserve, retained earnings, and other equity items) belonging to the Company.

The Company does not need to follow other external capital requirements.

25. FINANCIAL INSTRUMENTS

a.Fair value of financial instruments–Financial instruments not at fair value

The management of the Company believes that the book value of financial assets and liabilities not at fair value does not show significant differences from the fair value.

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

1). Levels of fair value

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity instruments				
–Domestic listed stocks	$ 533	$ 13,699	$ -	$ 14,232
–Foreign unlisted stocks	-	-	6,645	6,645
total	$ 533	$ 13,699	$ 6,645	$ 20,877

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Equity instruments				
–Domestic listed	$ 997	$ 17,352	$ -	$ 18,349

There was no transfer between the fair value measurements of Levels 1 and 2 for the year ended December 31, 2018 and 2017.

2). Valuation techniques and inputs applied for Level 2 fair value measurement

Type of financial instrument	Valuation technique and input value
Domestic listed stocks -private placement	Fair value of financial assets evaluated according to the observable share price at end of term and taking into consideration data of absence of liquidity discounts.

3). Valuation techniques and inputs applied for Level 3 fair value measurement

The significant and unobservable input parameter for assessing the unlisted stocks held by the Company mainly relates to liquidity discount rate.The evaluation of fair value of unlisted stocks is mainly referenced to the same type of companies or the listed companies (traded-over-the-counter) through the market approach.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Loans and receivables（Note1）	$ -	$ 892,884
Available-for-sale financial assets（Note 2）	-	23,482
Financial assets measured at amortized cost（Note 3）	863,814	-
Financial assets at fair value through other comprehensive income-Equity instruments	$ 20,877	$ -
Financial liabilities		
Financial liabilities measured at amortized cost（Note 4）	810,589	529,307

Note1: The balances comprise cash and cash equivalents, Debt instrument investment without active market, notes and accounts receivable, other receivables and refundable deposits.

Note2: The balances comprise available-for-sale financial assets.

Note3: The balances comprise cash and cash equivalents, debt instrument investments, notes and accounts receivable, other receivables and refundable deposits.

Note 4 The balances comprise short-term borrowings, short-term notes and bills payable, payables and guarantee deposits.

d. Purpose and policy of financial risk management

Major financial instruments of the Company include equity investments, cash and cash equivalents, Debt instrument investment without active market, accounts receivable and accounts payable. The Finance Department of the Company provides services to respective operating units and centrally coordinates operations for entering domestic and international financial markets. Such risks include market risk (exchange rate risk and interest rate risk), credit risk, and liquidity risk.

f. Financial risk management

1). Market risk

The Company is exposed to the financial market risks, primarily changes in foreign currency exchange rates, interest rates and equity investment prices.

a). Foreign currency risk

Most of the Company's revenues and expenditures are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk.

For the book value of monetary assets and liabilities in non-functional currencies of the Company on the balance sheet data (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 28.

Sensitivity analysis

The Company is impacted mainly by the fluctuating US and RMB exchange rates. The sensitivity analysis takes place when the exchange rate of TWD (functional currency) versus each of relevant foreign currencies increases or reduces by 5%. The 5% is the sensitivity ratio adopted by the Company internally in the report of the exchange rate risk to the primary management and also represents the reasonable and possible range of changes in the assessment of foreign currency exchange rates performed by the management. The sensitivity analysis only includes the monetary items of circulating foreign currencies and the conversion at the end of the year is adjusted by 5% of variation in the exchange rate. Sensitivity analysis associated with the foreign currency exchange rate risk mainly covers monetary items in foreign currencies as of the end date of the financial reporting period. When 5% of appreciation/depreciation in the TWD versus each of the currencies, the net profits of the Company in 2018 and 2017 would decrease/increase by $16,069 thousand and $16,218 thousand, respectively.

b). Interest rate risk

The book value of financial assets and liabilities exposed to the interest rate risk on the balance sheet date of the Company is as follows:

	December 31	
	2018	2017
Interest rate risk involving fair value		
- Financial assets	$ 69,416	$132,319
- Financial liabilities	250,000	60,000
Interest Rate Risk Involving Cash Flows		
- Financial assets	194,359	137,896

Sensitivity analysis

The following sensitivity analysis is determined by the exposure to the interest rate risk of non-derivative instruments on the balance sheet date.

The rate of change adopted when the interest rate is reported inside the Company to the primary management is based on an increase or a decrease by 50 base points in interest rate. This also represents the evaluation by the management of the reasonable and possible range of changes in the interest rate.

If the interest rate increases or decreases by 50 base points, with all the other variables remaining unchanged, the pre-tax net profits of the Company in 2018 and 2017 will decrease or increase by $1,187 thousand dollars and $884 thousand dollars mainly because of the Company's exposure to the cash flow interest rate risk associated with variable interest rate deposits.

2). Credit risk

Credit risk refers to the risk that a counterparty would default on its contractual obligations resulting in financial loss. The maximum credit exposure of the aforementioned financial instruments is equal to their carrying amounts recognized in balance sheet as of the balance sheet date.

The policy adopted by the Company is to only engage in transactions with parties with outstanding credit ratings and whenever necessary, sufficient collaterals are secured in order to minimize risks associated with financial losses as a result of delinquency. The Company only engages itself in transactions with enterprises with a rating equivalent to an investment grade and above. Such information is to be provided by an independent rating institution. If such information is not available, the Company will use other publicly available financial information and mutual transaction records to rate primary customers. The Company constantly monitors exposure to credit risk and the credit ratings of counterparties and decentralize the total transaction value among respective qualified customers according to their credit rating and controls the exposure to credit risk according to the counterparty credit limits reviewed and approved by the corporate management on a yearly basis.

The Company has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Company is not associated with major exposure to the credit risk versus any single counterparty or any group of counterparties with similar properties. When counterparties are affiliated with one another, the Company defines them as counterparties with similar properties.

3). Liquidity risk

The Company manages and maintains cash and cash equivalents of sufficient positions to support its operation and reduce the impacts brought about by fluctuations in cash flows. The Company’s management supervises over the use of bank financing quota and ensures protection of such quota.

As of December 31, 2018 and 2017, the short-term bank financing quotas not allocated by the Company were $ 403,405 thousand and $ 460,000 thousand, respectively.

The expiration analysis of non-derivative financial liabilities in the table below is prepared according to the re-payment date agreed upon.

December 31, 2018

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 250,551	$ -	$ -
Notes payable	29,180	-	-
Accounts payable(including related parties)	456,381	-	-
Other payables	74,843	-	-
	$ 810,955	$ -	$ -

December 31, 2017

	Demanded immediate payment or within a year	1-5 Years	More Than 5 Years
Non-derivative financial liabilities			
Short-term loans	$ 60,144	$ -	$ -
Notes payable	17,177	-	-
Accounts payable(including related parties)	388,574	-	-
Other payables	63,407	-	-
	$ 529,302	$ -	$ -

The operating funds of the Company are sufficient to support the above expenses and hence shortage in capital is not a concern. Capital demand, if any, is short-term in nature. In addition, all the borrowings of the Company have a duration of less than a year and comprehensive bank financing quotas are available. After having taken into consideration the Company’s financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Company to pay off the above borrowings immediately.

26. RELATED PARTY TRANSACTIONS

The transactions between the Company and related parties are as follows:

a. Related party name and nature of relationship

Related Party	Nature of Relationship
Future Technology Consulting (B.V.I.),Inc.	Subsidiary

Related Party	Nature of Relationship
Perfect Prime Limited (SAMOA)	Subsidiary
Shenzhen Fucheng Electronics Co., Ltd.	Subsidiary
Green Power Semiconductor Co., Ltd.	Subsidiary
OPC Microelectronics Co., Ltd.	Subsidiary

b. Operating revenue

Item	Nature of Relationship	For the Year Ended December 31	
		2018	**2017**
Net revenue from sale of goods	Subsidiary	$ 87,578	$ 18,396

c. Purchases

Nature of Relationship	For the Year Ended December 31	
	2018	**2017**
Subsidiary	$ 52,071	$ 33,587

d. Receivables due from related parties (excluding loans to the related party)

Item	Nature of Relationship	December 31	
		2018	**2017**
Accounts receivable	Subsidiary	$ 12,238	$ 9,187

e. Payables due to related parties (excluding borrowings from the related party)

Item	Nature of Relationship	December 31	
		2018	**2017**
Accounts payable	Subsidiary	$ 3,569	$ -

f. Endorsement and guarantee

Endorsement and guarantee information between the Company and the related party. Refer to Table 2.

g. Prepayments

Nature of Relationship/Name	December 31	
	2018	**2017**
Subsidiary/GPS	$ 4,270	$ 10,311
Subsidiary/OPC	60,637	-
	$ 64,907	$ 10,311

h. Operating expense - engineering experiment

Nature of Relationship	December 31	
	2018	**2017**
Subsidiary	$ 5,124	$ 7,211

i. Compensation of key management personnel

	December 31	
	2018	**2017**
Short-term employee benefits	$ 39,932	$ 23,931
Post-employment benefits	816	443
	$ 40,748	$ 24,374

The compensation to directors and other key management personnel were determined by the Compensation Committee of APEC in accordance with the individual performance and the market trends.

27. PLEDGED ASSETS

The following assets are provided to be the collaterals for customs declaration and bank borrowings for imports:

	December 31	
	2018	2017
Land	$ 61,590	$ 61,590
Buildings	158,713	162,559
	$220,303	$224,149

28. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 21,573	30.715 (USD:TWD)	$ 662,626
RMB	241	4.472 (RMB:TWD)	1,079
			$ 663,705
Foreign currency liabilities			
Monetary items			
USD	11,145	30.715 (USD:TWD)	$ 342,327

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 20,936	29.76 (USD:TWD)	$ 623,062
RMB	10,218	4.57 (RMB:TWD)	46,646
			$ 669,708
Foreign currency liabilities			
Monetary items			
USD	11,605	29.76 (USD:TWD)	$ 345,355

Realized and unrealized foreign currency exchange profits or losses with significant impacts are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange rate	Net exchange profits or losses	Exchange rate	Net exchange profits or losses
USD	30.149 (USD:TWD)	$ 16,337	30.43 ((USD:TWD)	($ 14,928)
RMB	4.56 (RMB:TWD)	(1,392)	4.51 (RMB:TWD)	(242)
		$ 14,945		($ 15,170)

29. ADDITIONAL DISCLOSURES

a. Information on significant transactions and b. Information on investees:

1) Financing extended to other parties: Table 1 (attached)
2) Endorsements/guarantees provided to other parties: Table 2 (attached)
3) Marketable securities held: Table 3 (attached) (excluding investments in subsidiaries and associates)
4) Marketable securities acquired and disposed of at costs or prices of at least $300 million or 20% of the paid-in capital: None.
5) Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: None.
6) Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.
7) Total purchases from or sales to related parties of at least $100 million or 20% of the paid-in capital: None.
8) Receivables from related parties of at least $100 million or 20% of the paid-in capital: None.
9) Trading in derivative instruments: None.
10) Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 4 (attached)

c. Information on investment in Mainland China:

1) The names of investees in Mainland China, the main businesses and products, issued capital, method of investment, information on inflow or outflow of capital, ownership, net income or loss and recognized investment gain or loss, ending balance, amount received as earnings distributions from the investment, and limitation on investment: Table 5 (attached)

2) Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports: Please see Table 6 (attached).

i. Balance of the amount and percentage of purchases and corresponding payables at end of term and the percentage.

ii. Balance of the amount and percentage of sales and corresponding payables at end of term and the percentage.
iii. Property transaction amount and the incurred profits or losses.
iv. Balance of notes endorsement and guarantee or collaterals at end of term and the purpose.
v. Maximum amount, balance at end of term, interest rate bracket, and total amount of interest for current terms of financing.
vi. Other transactions with major impacts on profits or losses of the current term or financial standing, such as the provision or acceptance of labor, among others.

TABLE 1

Advanced Power Electronics Co., Ltd.

FINANCING EXTENDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note 1)	Financing Company	Counter-party	Financial Statement Account	Related Party	Maximum Balance for the Period (foreign currencies in Thousands) (Note 2 and6)	Ending Balance (foreign currencies in Thousands) (Note 6)	Amount Actually Drawn (foreign currencies in Thousands)	Interest Rate	Nature for Financing (Note 3)	Transaction Amounts	Reason for Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 4 and 6)	Financing Company's Total Financing Amount Limits (Note 5 and 6)	Note
													Item	Value			
1	Future Technology Consulting (B.V.I.) Inc.	OPC Microelectronics Co., Ltd.	Other receivables from related parties	Yes	$ 15,358 (US$ 500)	$ 15,358 (US$ 500)	$ 15,358	1.45%	2	$ -	Operating capital	$ -	-	$ -	$ 45,427 (US$ 1,479)	$ 45,427 (US$ 1,479)	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.
Note 2: Maximum balance of funds lent to others for the current year.
Note 3: Descriptions of the nature of loan are as follows:
(1) Indicate 1 if there is business interaction.
(2) Indicate 2 if there is the need for short-term financing.
Note 4: When there is the necessity for short-term financing, the ratio is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 5: The total limit of funds lent to others is restricted to 100% of the net worth shown in the financial statements inspected or approved by CPAs for recent terms of funding companies.
Note 6: The foreign currency value shown herein is indicated in TWD at an exchange rate of US$1=NT$30.715 as of December 31, 2018.

TABLE 2

Advanced Power Electronics Co., Ltd.

ENDORSEMENT/GUARANTEE PROVIDED TO OTHER PARTIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No. (Note1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 5)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Guarantee Provided to Subsidiaries in Mainland (Note 7)	Note
		Name	Nature of Relationship (Note 2)											
0	APEC	OPC Microelectronics Co., Ltd.	(3)	$ 143,707	$ 64,720	$ 64,720	$ 19,456	$ -	4.50	$ 287,413	Y	N	Y	

Note 1: Descriptions of the numeration field are as follows:
(1) Indicate 0 for the issuer.
(2) The companies invested in are numbered sequentially by the company starting from 1.

Note 2: The endorser/guarantor and the endorsed/guaranteed party are related in the following six ways; simply mark the one that applies:
(1) Company with business relationship.
(2) Company where the Company holds over 50% of shares with direct and indirect voting rights.
(3) Company that holds over 50% of the Company's shares with direct and indirect voting rights.
(4) Between companies where the Company holds over 90% of shares with direct and indirect voting rights.
(5) Companies in the same industry or joint builders that are in a mutual collateral relationship according to the contract to meet the needs of the project undertaken.
(6) Company endorsed and guaranteed by all funding shareholders according to their holding ratio due to a shared investment relationship.

Note 3: The total value of endorsement and guarantee and the maximum limit of endorsement and guarantee for a single enterprise is 20% and 10%, respectively, at maximum of the net worth shown in the financial statements audited, certified, or approved by CPAs for the most recent term of the Company.

Note 4: Maximum balance of endorsement and guarantee for others of the current year.

Note 5: For any limits of endorsement and guarantee contracts or notes signed off by the Company with the Bank as of the end of the year, the Company undertakes the endorsement or guarantee liability. In addition, the other relevant endorsement and guarantee conditions shall all be included as part of the endorsement and guarantee balance.

Note 6: The actual allocated amount within the scope of endorsement and guarantee balance of the endorsed/guaranteed company shall be entered.

Note 7: "Y" only be completed for endorsement and guarantee from a listed (traded-over-the-counter) parent company to a subsidiary, endorsement and guarantee from a subsidiary to a listed (traded-over-the-counter) parent company, and endorsement and guarantee in Mainland China.

TABLE 3

Advanced Power Electronics Co., Ltd.

MARKETABLE SECURITIES HELD
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Held Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units Note (In Thousands)	Carrying Value	Percentage of Ownership (%)	Fair Value	
APEC	Stock							
	Advanced Microelectronic Products,Inc.	-	Financial assets at fair value through other comprehensive income - Current	177	$ 533	-	$ 533	
	Advanced Microelectronic Products,Inc.	-	Financial assets at fair value through other comprehensive income –Non-Current	5,708	13,699	2	13,699	
	AXElite Co., Ltd.	-	Financial assets at fair value through other comprehensive income –Non-Current	497	6,645	6	6,645	
	Stock							
Future Technology Consulting (B.V.I.) Inc.	Seaward Electronics, Inc. (Cayman)	-	Financial assets at fair value through other comprehensive income –Non-Current	1,733	17,322	13	17,322	

Note1: ecurities indicated herein refer to the stocks, bonds, beneficiary certificates and securities derived from the above items within the scope of Financial Reporting Standard 9 "Financial Instruments."

Note 2: For related information on investing in subsidiaries, refer to Table 4 and 5.

TABLE 4

Advanced Power Electronics Co., Ltd.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note (US$ in Thousands)
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership	Carrying Value			
APEC	Future Technology Consulting (B.V.I.) Inc.	British Virgin Islands	General investment	$ 65,021	$ 65,021	2,000	100	$ 45,427	($ 16,422)	($ 16,422)	Original investment amount US$ 2,000
	Perfect Prime Limited	Samoa	General investment	14,540	14,540	450	100	(965)	(1,595)	(1,595)	Original investment amount US$ 450
	Green Power Semiconductor Co., Ltd.	Taiwan	Trading	100,000	100,000	9,500	73.08	61,579	(23,292)	(17,022)	

TABLE 5

Advanced Power Electronics Co., Ltd.

INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capita (US$ in Thousands)	Method of Investment (Note1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018 (US$ in Thousands)	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US$ in Thousands)	Net Income (Losses) of the Investee Company (US$ in Thousands)	Percentage of Ownership	Share of Profits/Losses	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Shenzhen Fucheng Electronics Co., Ltd.	Electronic parts and components manufacturing, home appliance wholesale, home appliance retail sale, product outlook design, information software service, other designs (electronic element design, integrated circuit design, semi-conductor design), other commercial service (electronic element, integrated circuit, semi-conductor, among other electronics testing service), electronic material wholesale, electronic material retail sale	$ 13,515 US$ 440	(2)A	$ 13,515 US$ 440	$ -	$ -	$ 13,515 US$ 440	($ 1,566 (US$ 52	100%	($ 1,566) (US$ 52)	($ 1,239) (US$ 40)	$ -	
OPC Microelectronics Co., Ltd.	Integrated circuit, software design, development, and technical service; electronic products, instruments and meters, telecommunication equipment, computer and auxiliary equipment wholesale, commissioning and imports and exports business	63,766	(1)	49,888	13,878	-	63,766	(10,592	100%	(10,592)	57,783	-	

Accumulated Investment in Mainland China as of December, 2018 (US$ in Thousands)	Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands)	Upper Limit on Investment (Note2)
$77,281	$77,281	$862,240

Note 1: The investment types are as follows:
1). Direct investment in Mainland China.
2). Indirect investment in Mainland China through a subsidiary in a third place.
A. Reinvestment through Perfect Prime Limited
3).Others.

Note 2: 60% of the limit required by the “Review Principles for Investments or Technical Collaborations in Mainland China” of the Investment Board, Ministry of Economic Affairs.

Note 3: The foreign currency assets and profits or losses listed herein are expressed, respectively, in New Taiwan Dollar at an end-of-term and mean exchange rates of US$ 1 = NT$30.715 and US$ 1 = NT30.149 as of December 31, 2018.

TABLE 6

Advanced Power Electronics Co., Ltd.

SIGNIFICANT INTERCOMPANY TRANSACTIONS AND RELATED INFORMATION ON INVESTEES IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investee Company	Type of transaction	Purchases (Sales)	Price	Transaction Term		Notes and accounts receivable (payable)		Unrealized profits and losses	Note
		Amount		Payment term	Compared to ordinary transactions	Amount	%		
OPC Microelectronics Co., Ltd.	Sales	($ 87,532)	Note 1	EOM 60 days	Equivalent to	$ 12,238	2%	$ -	
	Purchases	54,795	Note 1	EOM 60 days	Equivalent to	(4,838)	1%	-	

Note 1: Transactions between the Company and the related party are done according to the transaction price agreed upon between the parties.

THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

Advanced Power Electronics Co., Ltd.
STATEMENT OF CASH AND CASH EQUIVALENTS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Description	Amount
Petty cash		$ 60
Cash equivalents	Repurchase agreements collateralized by corporate bonds USD 2,260@$30.715 Interest rate:2.65%	69,416
Checking accounts and demand deposits		86,228
Foreign currency deposits	USD 3,446@$30.715 JPY 3,988@$0.2782 HKD32@$3.921 RMB 241@$4.472	108,159
		$263,863

STATEMENT 2

Advanced Power Electronics Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-CURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of financial instrument	Description	Thousands Shares	Par Value($)	Total amount	Interest rate	Cost	Fair Value Unit price($)	Fair Value Total amount	Note
Domestic listed stock									
Advanced Microelectronic Products, Inc.	—	177	10	$ 1,770	-	$ 1,207	$ 3	$ 533	—

Advanced Power Electronics Co., Ltd.
STATEMENT OF NOTES ACCOUNTS RECEIVABLE, NET
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of customer	Amount
EST Technology	$ 13,105
Tex Yea Technology	8,742
Fly-Well Technology	7,574
Hawyang Semiconductor	6,461
	35,882
Less: allowance for bad debts	(127)
Net amount	$ 35,755

Advanced Power Electronics Co., Ltd.

STATEMENT OF RECEIVABLES FROM NON-RELATED PARTIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name of customer	Amount
Delta Electronics (Jiangsu)	$ 51,362
Sentronic International Corp.	50,765
Chicony Electronics (Dongguan)	46,830
Foxconn	41,287
Funrock Components (HK)	39,182
Delta Electronics (Dongguan)	37,333
Others(Note)	265,320
	532,079
Less: allowance for bad debts	(11,835)
Net amount	$520,244

Note: Each of the items was less than 5% of the total account balance.

Advanced Power Electronics Co., Ltd.

STATEMENT OF INVENTORIES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Cost	Net Realizable Value
Raw materials	$ 50,249	$ 50,532
Work in process	456,618	564,777
Finished goods	188,949	233,785
	$ 695,816	$ 849,094

STATEMENT 6

Advanced Power Electronics Co., Ltd.

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME-NONCURRENT
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

	Beginning Balance (Reclassifications under IFRS 9)		Increase		Decrease			Ending Balance			
Name	Thousands Shares	Fair Value	Thousands Shares	Amount	Thousands Shares	Amount	Measurements	Thousands Shares	Fair Value	Collateral or Pledge status	Note
Private placement shares											
Advanced Microelectronic Products, Inc.	5,708	$17,352	-	$-	-	$-	($3,653)	5,708	$13,699	—	
Unlisted shares											
AXElite Co., Ltd.	497	8,140	-	-	-	-	(1,495)	497	6,645	—	
		$25,492		$-		$-	($5,148)		$20,344		

Advanced Power Electronics Co., Ltd.

STATEMENT OF INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Name	Beginning Balance		Reclassifications under IFRS 9	Increase		Decrease		Adjustments on Equity (Note)	Ending Balance			Market Value or Net Assets Value	Collateral or Pledge status
	Thousands Shares	Amount		Thousands Shares	Amount	Thousands Shares	Amount		Thousands Shares	%	Amount		
Future Technology Consulting (B.V.I.), Inc.	2,000	$ 56,075	($ 2,288)	-	$ -	-	$ -	($ 8,360)	2,000	100	$ 45,427	$ 45,427	—
Perfect Prime Limited (SAMOA)	450	596	-	-	-	-	-	(1,561)	450	100	(965)	(965)	—
Green Power Semiconductor Co., Ltd.	9,500	79,172	-	-	-	-	-	(17,592)	9,500	73.08	61,580	61,580	—
		$ 135,843	($ 2,288)		$ -		$ -	($ 27,513)			$ 106,042		

Note:The djustments of equity method include：

1. The share of the profit or loss.
2. Difference in exchange from the conversion of financial statements of long-term investments in foreign currencies.
3. Changes in equity of subsidiaries accounted for using equity method

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STATEMENT 8

Advanced Power Electronics Co., Ltd.

STATEMENT OF ACCOUNTS PAYABLES
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Vendor Name	Amount
EPISIL	$ 74,320
Mosel Vitelic	69,045
PSMC	62,234
GEM(Shanghai)	60,529
JCET	27,571
GTBF	25,687
HGrace	24,882
Others(Note)	108,544
	$452,812

Note: Each of the items was less than 5% of the total account balance.

STATEMENT 9

Advanced Power Electronics Co., Ltd.

STATEMENT OF NET REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Quantity (In Thousands)	Amount
Low Voltage MOSFET	679,339	$ 908,171
Middle Voltage MOSFET	329,673	983,208
Linear Regulator and PWM IC	34,741	58,895
High Voltage MOSFET	145,912	467,314
Insulated Gate Bipolar Transistor	397	1,723
Others		107,921
		$ 2,527,232

STATEMENT 10

Advanced Power Electronics Co., Ltd.

STATEMENT OF COST OF REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
(I)Cost of self-manufactured product	
Raw materials	
Raw material, beginning of year	$ 30,612
Add:Raw material purchased	287,578
Less: Raw materials, end of year	50,249
Raw material sold	1,349
Transferred to research and development	185
Subtotal	266,407
Manufacturing expenses	90,529
Manufacturing cost	356,936
Add: Work in process, beginning of year	294,492
Work in proces purchased	1,215,674
Less: Work in proces, end of year	456,618
Work in process sold	181,688
Transferred to research and development	2,674
Transferred to sampling	58
Others	17
Cost of finished goods	1,226,047
Add: Finished goods, beginning of year	115,230
Finished goods purchased	738,059
Less: Finished goods, end of year	188,949
Transferred to research and development	3,443
Transferred to sampling	3,336
Others	4
Subtotal	1,883,604
(II) Cost of Work in process products	183,037
Total	$ 2,066,641

Advanced Power Electronics Co., Ltd.

STATEMENT OF MANUFACTURING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Item	Amount
Indirect labor	$ 32,253
Import/ export	28,859
Depreciation	11,554
Others(Note)	17,863
	$ 90,529

Note: Each of the items was less than 5% of the total account balance.

Advanced Power Electronics Co., Ltd.

STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Item	Selling and marketing expenses	General and administrative expenses	Research and development expenses	Total
Salary	$ 53,124	$ 56,117	$ 37,696	$ 146,937
Travelling	8,767	2,001	1,001	11,769
Entertainment	7,770	262	24	8,056
Depreciation	1,426	1,618	4,437	7,481
Amortization	920	1,497	4,097	6,514
Import/export	13,213	-	-	13,213
Professional service fees	3,855	5,113	72	9,040
Others(Note)	18,371	11,571	19,099	49,041
	$ 107,446	$ 78,179	$ 66,426	$ 252,051

Note: Each of the items was less than 5% of the total account balance.