Stock Code:8261

Advanced Power Electronics Co.,Ltd. and Subsidiaries

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

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REPRESENTATION LETTER

The entities that are required to be included in the combined financial statements of Advanced Power Electronics Co., Ltd. as of and for the year ended December 31, 2018, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Advanced Power Electronics Co., Ltd. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

Advanced Power Electronics Co., Ltd.

Teng Fu-Chi

Fu-Chi Teng
Chairman

March 21, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

Opinion

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

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

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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements are as follows:

Estimate for Impairment of Accounts Receivable

Refer to Note 5 and 12, the estimated impairment of accounts receivable of the Group 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 Group, 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 Group 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.

Other Matter

We have also audited the parent company only financial statements of Advanced Power Electronics Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance (including the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 the auditing standards generally accepted in the ROC will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements 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 consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally applied inthe ROC.

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

As the consolidated 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. and its subsidiaries

CONSOLIDATED 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)	$ 306,730	13	$ 309,396	16
Financial assets at fair value through other comprehensive income (Note 7)	533	-	-	-
Available-for-sale financial assets (Notes 4 and 9)	-	-	997	-
Debt instrument investment without active market (Notes 4 and 11)	-	-	29,488	2
Notes receivable (Note 12)	40,816	2	44,539	2
Accounts receivable (Notes 4, 5, and 12)	552,219	24	578,355	30
Other receivables (Note 12)	30,628	1	24,684	1
Current tax assets	2,448	-	7,695	-
Inventories (Notes 4, 5, and 13)	775,635	33	467,220	25
Other current assets	86,603	4	50,150	3
Total current assets	1,795,612	77	1,512,524	79
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (Note 7)	37,666	2	-	-
Available-for-sale financial assets (Notes 4 and 9)	-	-	17,352	1
Financial assets at amortized cost (Note 8)	204	-	-	-
Financial assets measured at cost (Notes 4 and 10)	-	-	17,766	1
Debt instrument investment without active market (Notes 4 and 11)	-	-	202	-
Property, plant and equipment (Notes 4 and 14)	246,815	10	258,095	14
Goodwill (Note 15)	-	-	668	-
Other intangible assets, net	5,178	-	4,017	-
Deferred tax assets (Notes 4 and 23)	40,974	2	54,531	3
Other non-current assets (Note 16)	209,341	9	44,977	2
Total non-current assets	540,178	23	397,608	21
TOTAL	$ 2,335,790	100	$ 1,910,132	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 269,456	12	$ 60,000	3
Notes payable	29,180	1	17,177	1
Accounts payable	463,190	20	391,926	21
Other payables (Note 19)	92,399	4	82,003	4
Current tax liabilities (Notes 4 and 23)	12,760	1	6,926	-
Other current liabilities	8,761	-	19,398	1
Total current liabilities	875,746	38	577,430	30
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 23)	144	-	-	-
Guarantee deposits	149	-	149	-
Total non-current liabilities	293	-	149	-
Total liabilities	876,039	38	577,579	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 21)				
Common stock	813,405	35	813,405	43
Capital surplus	328,441	14	327,372	17
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	6
Total retained earnings	370,684	16	197,862	10
Other equity interests	(75,463)	(4)	(35,250)	(2)
Total equity attributable to owners of the parent	1,437,067	61	1,303,389	68
NON-CONTROLLING INTERESTS	22,684	1	29,164	2
Total equity	1,459,751	62	1,332,553	70
TOTAL	$ 2,335,790	100	$ 1,910,132	100

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED 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)	$ 2,709,090	100	$ 2,129,631	100
OPERATING COSTS (Notes 11 and 22)	2,209,361	82	1,791,314	84
GROSS PROFIT FROM OPERATIONS	499,729	18	338,317	16
OPERATING EXPENSES (Notes 18 and 22)				
Selling and marketing expenses	149,649	5	134,384	6
General and administrative expenses	99,773	4	66,819	3
Research and development expenses	77,071	3	75,976	4
Total operating expenses	326,493	12	277,179	13
PROFIT/(LOSS) FROM OPERATIONS	173,236	6	61,138	3
NON-OPERATING INCOME AND EXPENSES				
Other income (Note 22)	10,006	1	6,828	-
Other gains and losses (Note 22)	8,058	-	(17,542)	(1)
Finance costs	(4,063)	-	(798)	-
Total non-operating income and expenses	14,001	1	(11,512)	(1)
PROFIT BEFORE INCOME TAX	187,237	7	49,626	2
INCOME TAX EXPENSE (Notes 4 and 23)	27,338	1	12,249	-
NET PROFIT FOR THE YEAR	159,899	6	37,377	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	1,370	-	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating the financial statements of foreign operations	744	-	(4,020)	-
Unrealized gain/(loss) on available-for-sale financial assets	-	-	7,072	-
Other comprehensive income/(loss) for the year, net of income tax	2,114	-	3,052	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 162,013	6	$ 40,429	2
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 166,169	6	$ 39,210	2
Non-controlling interests	(6,270)	-	(1,833)	-
	$ 159,899	6	$ 37,377	2
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 168,493	6	$ 41,893	2
Non-controlling interests	(6,480)	-	(1,464)	-
	$ 162,013	6	$ 40,429	2
EARNINGS PER SHARE (Note 24)				
Basic	$ 2.04		$ 0.48	
Diluted	$ 2.03		$ 0.48	

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

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

	Equity Attributable to Owners of the Parent													
			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	Non-controlling Interests	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	$ 4,001	$ 1,315,972
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)	-	(56,898)
From share of changes in equities of subsidiaries	-	3,373	-	-	-	-	-	-	-	-	-	3,373	26,627	30,000
Profit for the year ended December 31, 2017	-	-	-	-	39,210	39,210	-	-	-	-	-	39,210	(1,833)	37,377
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	-	(4,389)	7,072	-	-	2,683	2,683	369	3,052
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	39,210	39,210	(4,389)	7,072	-	-	2,683	41,893	(1,464)	40,429
Issuance of ordinary shares under employee share options	579	637	-	-	-	-	-	-	-	-	-	1,216	-	1,216
Compensation of employee restricted shares	-	-	-	-	-	-	-	-	-	1,834	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	29,164	1,332,553
Effect of retrospective application and retrospective restatement	-	-	-	-	43,422	43,422	-	31,417	(74,120)	-	(42,703)	719	-	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	29,164	1,333,272
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)	-	(36,603)
Profit for the year ended December 31, 2018	-	-	-	-	166,169	166,169	-	-	-	-	-	166,169	(6,270)	159,899
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	-	954	-	1,370	-	2,324	2,324	(210)	2,114
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	166,169	166,169	954	-	1,370	-	2,324	168,493	(6,480)	162,013
Compensation of employee share options	-	1,069	-	-	-	-	-	-	-	-	-	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	$ 22,684	$ 1,459,751

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED 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	$ 187,237	$ 49,626
Adjustments for:		
Write-downs of inventories	(59,893)	(12,503)
Depreciation expense	22,317	26,071
Amortization of long-term prepayments	10,000	3,333
Unrealized (gain)/loss on foreign currency exchange	(6,611)	16,064
Amortization expense	7,646	6,106
Interest income	(5,549)	(3,424)
Finance costs	4,063	798
Compensation costs of employee share options	1,069	1,834
Impairment loss on Goodwill	672	-
Gain on disposal of property, plant and equipment	(14)	-
Loss on disposal of investments, net	-	362
Changes in operating assets and liabilities:		
Notes receivable	3,723	(7,767)
Accounts receivable	40,689	(174,991)
Other receivables	(6,198)	(2,090)
Inventories	(250,091)	(39,364)
Other current assets	(36,453)	11,095
Net defined benefit liabilities	-	694
Notes payable	12,003	(10,061)
Accounts payable	59,848	58,405
Other payables	12,866	(8,967)
Other current liabilities	(10,637)	(27,195)
Net cash inflows generated from operating activities	(13,313)	(111,974)
Interest received	5,803	3,445
Interest paid	(3,882)	(610)
Income taxes paid	(2,556)	(344)
Net cash used in operating activities	(13,948)	(109,483)

(Continued)

Advanced Power Electronics Co., Ltd. and its subsidiaries

CONSOLIDATED 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	$ -
Acquisitions of financial assets at amortized cost	(2)	-
Proceeds from disposal of financial assets at amortized cost	29,488	-
Proceeds from disposal of available-for-sale financial assets	-	815
Proceeds from sale of debt investments with no active market	-	77,416
Net cash outflow on acquisition of subsidiaries	-	7,604
Acquisition of property, plant and equipment	(14,755)	(17,503)
Proceeds from disposal of property, plant and equipment	153	-
Increase (Decrease) in refundable deposits	82	(458)
Payments for intangible assets	(8,807)	(5,836)
Increase (Decrease) in other non-current assets	(169,747)	16,232
Increase in prepayments for equipment	(4,699)	-
Net cash generated from/(used in) investing activities	(167,876)	78,270
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	553,150	355,000
Decrease in short-term loans	(343,423)	(295,000)
Cash dividends	(36,594)	(56,888)
Exercise of share options	-	1,216
Net cash generated from financing activities	173,133	4,328
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND EQUIVALENTS	6,025	(17,447)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,666)	(44,332)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	309,396	353,728
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 306,730	$ 309,396

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

Advanced Power Electronics Co., Ltd. and its subsidiaries

NOTES TO CONSOLIDATED 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 Group’s consolidated financial statements are presented in New Taiwan dollars (TWD), which is APEC’s functional currency.

2. APPROVAL DATE AND PROCEDURES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the consolidated 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 Group’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 Group 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 Group'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	$ 309,396	$ 309,396	-
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)	17,766	18,485	(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	29,690	29,690	(b)
Notes and accounts receivable,other receivables	Loans and receivables	Amortized cost	647,578	647,578	(c)
Refundable deposits	Loans and receivables	Amortized cost	1,731	1,731	-

	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)	-	17,766	719	18,485	16,490	(15,771)	(a)
Total	$ -	$ 36,115	$ 719	$ 36,834	$ 43,422	($ 42,703)	

a).The Group 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$719 thousand on January 1, 2018.

The Group 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.

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 Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

<u>IFRS 16 "Leases"</u>

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 Group 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 Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets and lease liabilities for all leases on the consolidated 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 consolidated statements of comprehensive income, the Group 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 consolidated 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 consolidated statements of cash flows.

The Group 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 Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

1. The Group 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 Group as lessor

Except for sublease transactions, the Group 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 consolidated financial statements were authorized for issue, the Group had assessed that the application of other standards and interpretations would not have significant impacts on the Group'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 Group 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 Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated 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 consolidated 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).

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.

Basis of Consolidation

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

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries. Financial statements of subsidiaries are adequately adjusted to align their accounting policies with those of the Group Transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

For the statements, percentage of ownership and scope of operation of each subsidiary, refer to Note 17 and Tables 5 and 6.

Business Combination

The Group uses the acquisition method to account for business combinations. All acquisitionrelated costs are expensed as incurred.

If the total of the fair values of the consideration of acquisition and any non-controlling interests in the acquiree as well as the acquisition-date fair value of any previous equity interest in the acquiree is higher than the fair value of the Group’s share of the identifiable net assets acquired and liabilities assumed, the difference is recorded as goodwill.

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 Group 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.

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 Group 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 Group 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 consolidated balance sheets when the Group 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 Group 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 Group 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 Group'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 Group'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 Group 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 Group 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 Group 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 Group on terms that the Group 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 Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group 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 Group'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 Group 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
b. The Group 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 Group; 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group's accounting policies, the Group 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 Group. The Group 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 12. 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 Group 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	$ 149	$ 161
Bank check and demand deposit	237,165	176,644
Cash equivalents (investments with the original expiration date within 3 months)		
Bank time deposit	-	30,766
Repurchase agreements collateralized by bonds	69,416	101,825
	$ 306,730	$ 309,396

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	$ 37,666

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
Foreign investments	
Non-publicly traded equity investments	17,322
	$ 37,666

The Group 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 Group 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, 9, and 10 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS AT AMORTIZED COST-2018

	December 31, 2018
Non-current	
Domestic investments	
Pledged deposit certificate	$ 204

For information on financial assets at amortized, refer to Note 30.

9. 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 Group is private placement domestic listed stocks with trading restrictions - Advanced Microelectronic Products, Inc.

10. FINANCIAL ASSETS CARRIED AT COST-2017

	December 31, 2017
Non-current	
Foreign unlisted stocks	$ 12,633
Domestic unlisted stocks	5,133
	$ 17,766
By the type of measure	
Available-for-sale	$ 17,766

For the above-mentioned domestic and foreign unlisted stocks held by the Group 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 Group’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	$ 29,488
Non-current	
Pledged deposit certificate	$ 202

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 and 1.69% ~ 3.50%, respectively.

For information on pledged debt instrument without active market, refer to Note 30.

12. ACCOUNTS, NOTES AND OTHER RECEIVABLE AND, NET

	December 31	
	2018	2017
Notes receivable		
From operating	$ 40,943	$ 44,666
Less: Loss allowance	(127)	(127)
	$ 40,816	$ 44,539
Accounts receivable		
Accounts receivable at amortized cost	$ 564,054	$ 590,190
Less: Loss allowance	(11,835)	(11,835)
	$ 552,219	$ 578,355
Other receivable		
Tax refund receivable	$ 30,352	$ 24,024
Others	276	660
	$ 30,628	$ 24,684

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 Group evaluates the prospective customers' credit quality through an external credit rating system and set the credit limit for a specific customer.

The Group 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 Group, 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 Group cannot reasonably expect the recoverable amount, the Group 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 Group 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	$ 521,376	$ 39,829	$ 44	$ 2,805	$ 564,054
Loss allowance (Lifetime ECL)	(1,540)	(7,481)	(9)	(2,805)	(11,835)
Amortized cost	$ 519,836	$ 32,348	$ 35	$ -	$ 552,219

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

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

	December 31, 2017
Within 60 days	$ 423,837
61-90 days	123,244
over 91 days	43,109
Total	$ 590,190

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 Group was as follows:

	December 31, 2017
Past due within 90 days	$ 50,420
Past due over 90 days	1,234
	$ 51,654

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 Group 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 Group 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

13. INVENTORIES

	December 31	
	2018	2017
Raw materials	$ 54,950	$ 30,718
Work in process	527,812	319,683
Finished goods	192,873	116,819
	$ 775,635	$ 467,220

The cost of revenue realted to inventory for 2018 and 2017 was $ 2,209,361 thousand and $ 1,791,314 thousand, respectively. The cost of revenue included the reversal of write-down of inventories of $ 59,893 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.

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	$ 10,823	$ 1,962	$ 146,548	$ 530,321
Additions	-	-	2,339	1,592	99	1,251	12,155	17,436
Disposals	-	-	-	-	-	-	-	-
Obtained through corporate mergers	-	-	-	-	239	-	3,182	3,421
Reclassification	-	-	-	208	(155)	-	(53)	-
Effect of exchange rate changes	-	-	-	3	(4)	-	48	47
Balance, December 31, 2017	$ 61,590	$ 187,521	$ 115,730	$ 10,289	$ 11,002	$ 3,213	$ 161,880	$ 551,225
Accumulated depreciation								
Balance, January 1, 2017	$ -	$ 21,116	$ 97,879	$ 6,519	$ 8,829	$ 736	$ 131,528	$ 266,607
Depreciation	-	3,846	5,285	1,078	1,112	348	14,402	26,071
Disposals	-	-	-	-	-	-	-	-
Obtained through corporate mergers	-	-	-	-	75	-	359	434
Reclassification	-	-	-	125	(123)	-	(2)	-
Effect of exchange rate changes	-	-	-	3	1	-	14	18
Balance, December 31, 2017	$ -	$ 24,962	$ 103,164	$ 7,725	$ 9,894	$ 1,084	$ 146,301	$ 293,130
Carrying amount, December 31, 2017	$ 61,590	$ 162,559	$ 12,566	$ 2,564	$ 1,108	$ 2,129	$ 15,579	$ 258,095
Cost								
Balance, January 1, 2018	$ 61,590	$ 187,521	$ 115,730	$ 10,289	$ 11,002	$ 3,213	$ 161,880	$ 551,225
Additions	-	-	807	998	-	104	9,420	11,329
Disposals	-	-	(203)	-	(216)	-	-	(419)
Effect of exchange rate changes	-	-	-	(4)	(2)	(2)	(247)	(255)
Balance, December 31, 2018	$ 61,590	$ 187,521	$ 116,334	$ 11,283	$ 10,784	$ 3,315	$ 171,053	$ 561,880
Accumulated depreciation								
Balance, January 1, 2018	$ -	$ 24,962	$ 103,164	$ 7,725	$ 9,894	$ 1,084	$ 146,301	$ 293,130
Depreciation	-	3,846	4,647	1,048	345	577	11,854	22,317
Disposals	-	-	(203)	-	(77)	-	-	(280)
Effect of exchange rate changes	-	-	-	(4)	(3)	-	(95)	(102)
Balance, December 31, 2018	$ -	$ 28,808	$ 107,608	$ 8,769	$ 10,159	$ 1,661	$ 158,060	$ 315,065
Carrying amount, December 31, 2018	$ 61,590	$ 158,713	$ 8,726	$ 2,514	$ 625	$ 1,654	$ 12,993	$ 246,815

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	1-5 years
Lease Improvement	5 years
Other equipment	1-5 years

For property, plant and equipment set to be secured borrowings, refer to Note 30.

15. GOODWILL

	For the Year Ended December 31	
	2018	2017
Cost		
Balance, January 1	$ 668	$ -
Acquired through corporate mergers this year（Note 26）	-	671
Impairment loss recognized this year	(672)	-
Effect of exchange rate changes	4	(3)
Balance, December 31	$ -	$ 668

16. OTHER ASSETS

	December 31	
	2018	2017
Non-current		
Long-term pre-payment for purchase	$ 186,326	$ 16,579
Long-term prepayments	16,667	26,667
Pre-payment for equipment	4,699	-
Refundable deposits	1,649	1,731
	$ 209,341	$ 44,977

In order to ensure steady packaging capacity and reduce packaging cost, the Group 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.

Green Power Semiconductor organized capital increase worth $30,000 thousand through individual labor-based funds with September 4, 2017 as the base date. Booked long-term pre-payments are recognized as salary amortized over a period of three years.

17. SUBSIDIARY

a. The subsidiaries included in the consolidated financial statement:

The subsidiaries included in the consolidated financial statements were as follows:

Investor	Subsidiary	Main Business and Products	Percentage of Ownership December 31 2018	Percentage of Ownership December 31 2017	Note
APEC	Future Technology Consulting (B.V.I.),Inc. (Future)	Investment	100%	100%	-
APEC	Perfect Prime Limited(Perfect)	Investment	100%	100%	
APEC	Green Power Semiconductor Co., Ltd. (GPS)	Trading	73.08%	73.08%	Note 1
Perfect	Shenzhen Fucheng Electronics Co., Ltd.（Fucheng）	Trading	100%	100%	
GPS	OPC Microelectronics Co., Ltd.(OPC)	Manufacturing	100%	100%	Note 2

Note 1: GPS organized the capital increase with personal labor funding in September 2017. The holding ratio of the APEC after the capital increase dropped to 73.08%.

Note 2: GPS obtained OPC's share options in April 2017.

b. The subsidiaries not included in the consolidated financial statement: None.

18. SHORT-TERM BORROWINGS

	December 31	
	2018	2017
Secured loans		
－debt payable - bank	$ 80,000	$ 45,000
Unsecured loans		
－debt payable - bank	189,456	15,000
	$ 269,456	$ 60,000

The annual interest rate of bank revolving loans was 1.17% to 4.90% and 1.15% to 1.20%, respectively, in 2018 and 2017.

19. OTHER PAYABLES

	December 31	
	2018	2017
Payable salaries and rewards	$ 34,344	$ 36,760
Payable remunerations for employees and directors	20,272	5,382
Payables on equipment	1,016	4,442
Others	36,767	35,419
	$ 92,399	$ 82,003

20. 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.

21. EQUITY

a. Capital stock

	December 31	
	2018	2017
Authorized shares (in thousands)	200,000	200,000
Authorized capital	$ 2,000,000	$ 2,000,000
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 APEC does not actually acquire or dispose of the subsidiary's stock options or when the capital reserve of the subsidiary is recognized by the APEC 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 22(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		

	Appropriation of Earnings		Dividends Per Share ($)	
	For Fiscal Year 2017	For Fiscal Year 2016	For Fiscal Year 2017	For Fiscal Year 2016
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	166

	For the Year Ended December 31
	2018
retained earning	
Balance, December 31	($ 72,584)

22. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 5,549	$ 3,424
Rent income	1,350	1,705
Other income	3,107	1,699
	$ 10,006	$ 6,828

b. Other gains and losses, net

	For the Year Ended December 31	
	2018	2017
Gain (loss) on foreign exchange	$ 10,151	($ 15,682)
Loss on disposal of available-for-sale financial assets	-	(362)
Gain on disposal of property, plant and equipment, net	14	-
Others	(2,107)	(1,498)
	$ 8,058	($ 17,542)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation of property, plant and equipment	$ 22,317	$ 26,071
Amortization of intangible assets	7,646	6,106
Total	$ 29,963	$ 32,177
Depreciation expense classified by function		
Classified as operating cost	$ 11,554	$ 16,008
Classified as operating	10,763	10,063
Total	$ 22,317	$ 26,071
Amortization expense classified by function		
Classified as operating cost	$ 543	$ 858
Classified as operating	7,103	5,248

	For the Year Ended December 31	
	2018	2017
expenses		
Total	$ 7,646	$ 6,106

d. Employee benefits expenses

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 228,918	$ 194,824
Post-employment benefits		
Defined contribution plans	6,597	6,320
Defined benefit plans	-	256
Share-based Payment	1,069	1,834
Other employee benefits	4,593	4,545
Total	$ 241,177	$ 207,779
Classified by function		
Classified as operating cost	$ 36,542	$ 35,637
Classified as operating expenses	204,635	172,142
	$ 241,177	$ 207,779

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 consolidated 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.

23. 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	$ 13,214	$ 7,060
Additional income tax on unappropriated earnings	137	204
Income tax adjustments on prior years	286	-
	13,637	7,264
Deferred income		
Current period	23,324	4,985
Effect of tax rate changes	(9,623)	-
Income tax expense recognized in profit or loss	$ 27,338	$ 12,249

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	$ 187,237	$ 49,626
Income tax expense at the statutory rate	$ 31,415	$ 7,729
Nondeductible items in determining taxable income	3,404	1,986
Additional income tax on unappropriated earnings	137	204
Temporary differences	4,906	2,075
Investment tax credits	(5,676)	(2,743)
Loss carryforwards	2,489	2,998
Effect of tax rate changes	(9,623)	-
Prior years' other adjustments	286	-
Income tax expense recognized in profit or loss	$ 27,338	$ 12,249

For the year ended December 31, 2017, APEC 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%.

The tax rate applicable to subsidiaries in Mainland China is 25%. Tax rates used by the group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

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

	Balance at the beginning of the year	Recognized as part of profits and losses	Balance at the end of the year
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. Unrecognized deferred tax assets items

	December 31	
	2018	2017
Loss carryforwards	$ 39,386	$ 27,662

d. Unrecognized Loss carryforwards

As of December 31, 2018, the information of the Group had not recognized the prior years' loss carryforwardsis asfollows:

Amount	Expiry Years
$ 2,005	2026
3,517	2027
2,355	2028
$ 7,877	

e. Income tax examination

The latest years for which income tax returns have been examined and cleared by the tax authorities were as follows:

	Year
APEC	2016
Green Power Semiconductor Co., Ltd.	2016

24. 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	$ 166,169	$ 39,210

	2018	2017
fundamental earnings per share		
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 Group 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.

25. 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 Group 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 Group’s common stock. The beneficiaries are employees meeting specific criteria of the Group. 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 Group’s common stock at the issuance. After the stock option is issued, in case of variation to the common stock shares of the Group, 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 Group 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 ($)	$ 27.9	$ -
Weighted average residual contract period (year)	5.36	-

The Group 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 Group 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 Group 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 Group 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 Group 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 Group 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.

26. BUSINESS COMBINATION

a. Acquisition of subsidiary

	Main operating activity	Date of acquisition	Ownership equity with a voting right/acquisition ratio (%)	Transfer of negotiation
OPC Microelectronics Co., Ltd.	Design and development of integrated circuits and software; wholesale of electronic products and telecommunication equipment	April 12, 2017	100%	$ 918

The Group acquired OPC on April 12, 2017 mainly for the development of product lines in the future.

b. Transfer of negotiation

	OPC
Cash	$ 918

c. Acquired assets and undertaken liabilities as of the date of acquisition

	OPC
Current assets	
Cash and cash equivalents	$ 8,522
Notes receivable	2,490
Accounts receivable and other receivables	23,994
Inventory	8,030
Other current assets	24,359
Non-current Assets	
Real estate, plants and equipment	2,987
Current liabilities	
Accounts payable and other payable	(28,510)
Other current liabilities	(41,625)
	$ 247

d. Good will generated from acquisition

	OPC
Transfer of negotiation	$ 918
Less:Fair value of recognizable net assets acquired	(247)
Good will generated from acquisition	$ 671

e. Net cash in-flows (out-flows) from the acquisition of subsidiaries

	OPC
Negotiations paid in cash	$ 918
Less:Balance of cash and cash equivalents obtained	(8,522)
	($ 7,604)

f. Impacts of acquisition on operation outcome

Starting from the date of acquisition, the operation outcome from the company being acquired is as follows:

	OPC
Operating revenue	$ 154,065
Net profit for the current year	$ 4,692

If the said acquisition occurs on the start date of the accounting year where the date of acquisition belongs, the stipulated operating revenue and net profits of the Group in 2017 would be $185,817 thousand and $3,724 thousand, respectively.

27. CAPITAL MANAGEMENT

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

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

28. FINANCIAL INSTRUMENTS

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

The management of the Group 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	-	-	23,967	23,967
total	$ 533	$ 13,699	$ 23,967	$ 38,199

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 Group 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）	$ -	$ 988,395
Available-for-sale financial assets （Note 2）	-	36,115
Financial assets measured at amortized cost（Note 3）	932,246	-
Financial assets at fair value through other comprehensive income-Equity instruments	38,199	-
Financial liabilities		
Financial liabilities measured at amortized cost（Note 4）	854,374	551,255

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 Group include equity investments, cash and cash equivalents, Debt instrument investment without active market, accounts receivable and accounts payable. The Finance Department of the Group 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 Group 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 Group's revenues and expenditures are denominated in foreign currencies. Consequently, the Group is exposed to foreign currency risk.

For the book value of monetary assets and liabilities in non-functional currencies of the Group on the balance sheet data (including monetary items valued in non-functional currencies already eliminated upon consolidation), refer to Note 31.

Sensitivity analysis

The Group 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 Group 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 Group in 2018 and 2017 would decrease/increase by $39,004 thousand and $16,397 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 Group is as follows:

	December 31	
	2018	**2017**
Interest rate risk involving fair value		
- Financial assets	$ 69,416	$ 162,079
- Financial liabilities	269,456	60,000
Interest Rate Risk Involving Cash Flows		
- Financial assets	237,340	176,841

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 Group 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 Group in 2018 and 2017 will decrease or increase by $1,187 thousand dollars and $884 thousand dollars mainly because of the Group'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 consolidated balance sheet as of the balance sheet date.

The policy adopted by the Group 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 Group 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 Group will use other publicly available financial information and mutual transaction records to rate primary customers. The Group 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 Group has an enormous base of customers that is not inter-related and hence credit risk is not highly concentrated. The Group 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 Group defines them as counterparties with similar properties.

3). Liquidity risk

The Group 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 Group’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 Group 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	$ 270,236	$ -	$ -
Notes payable	29,180	-	-
Accounts payable	463,190	-	-
Other payables	92,399	-	-
	$ 855,005	$ -	$ -

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	391,926	-	-
Other payables	82,003	-	-
	$ 551,250	$ -	$ -

The operating funds of the Group 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 Group have a duration of less than a year and comprehensive bank financing quotas are available. After having taken into consideration the Group's financial status, the management believes that it is quite impossible for the bank to exercise its right by demanding that the Group to pay off the above borrowings immediately.

29. RELATED PARTY TRANSACTIONS

Intercompany balances and transactions between APEC and its subsidiaries, which are related parties of APEC, have been eliminated upon consolidation; therefore those items are not disclosed in this note.

Compensation of key management personnel:

	December 31	
	2018	2017
Short-term employee benefits	$ 45,576	$ 25,544
Post-employment benefits	816	443
	$ 46,392	$ 25,987

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.

30. PLEDGED ASSETS

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

	December 31	
	2018	2017
Pledged deposit certificate (Financial assets at amortized cost - Non-current)	$ 204	$ -
Pledged deposit certificate(Debt instrument investment without active market- Non-current)	-	202
Land	61,590	61,590
Buildings	158,713	162,559
	$ 220,507	$ 224,351

31. 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 Group. 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	$ 21,961	30.715 （USD:TWD）	$ 674,538
RMB	101,287	4.472 （RMB:TWD）	452,955
USD	471	6.8683 （USD:RMB）	14,467
			$ 1,141,960
Foreign currency liabilities			
Monetary items			
USD	11,288	30.715 （USD:TWD）	$ 346,714
RMB	190	4.472 （RMB:TWD）	851
USD	2,084	6.8683 （USD:TWD）	14,314
			$ 361,879

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount (In Thousands)
Foreign currency assets			
Monetary items			
USD	$ 21,184	29.76 (USD:TWD)	$ 630,435
RMB	10,220	4.565 (RMB:TWD)	46,655
USD	8	6.519 (USD:RMB)	238
			$ 677,328
Foreign currency liabilities			
Monetary items			
USD	11,638	29.76 (USD:TWD)	$ 346,343
USD	466	6.519 (USD:RMB)	3,038
			$ 349,381

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)	$ 11,540	30.43 (USD:TWD)	($ 15,358)
RMB	4.56 (RMB:TWD)	(1,392)	4.51 (RMB:TWD)	(242)
		$ 10,148		($ 15,600)

32. 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 NT$100 million or 20% of the paid-in capital: None.
9) Trading in derivative instruments: None.

10) Others: Business relationships between the parent and the subsidiaries and significant intercompany transactions: Table 4 (attached)
11) Names, locations and related information of investees on which APEC exercised significant influence: Table 5 (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 6 (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 7 (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.

33. SEGMENT INFORMATION

The information provided to primary operation decision makers for distribution of resources and evaluation of segment performance focuses on each type of the products or labor delivered or provided.

The Group mainly deals with the design, testing, and trading, among others, of electronic elements, such as integrated circuits and semi-conductors. The primary operation decision makers of the Group look at the Group as a single department as a whole; information about profits or losses, assets, and liabilities is consistent with that shown in the consolidated financial statement. Please refer to the consolidated balance sheet or the consolidated comprehensive income statement for details.

a. Product information

The Group’s revenue of major products is the sale of power semi-conductors.

b. Geographical information

The Group’s revenues are generated mostly from Taiwan.

The primary operation region of the Consolidated Company is Taiwan.

The Group categorized the net revenue mainly based on the countries where the customers are headquartered.

	Net Revenue from External Customers		Noncurrent Assets	
	Year Ended December 31 2018	**Year Ended December 31 2017**	**December 31, 2018**	**December 31, 2017**
Taiwan	$ 1,513,377	$ 666,746	$ 447,618	$ 298,637
China	1,078,313	1,299,662	12,067	6,721
Others	117,400	163,223	-	-
	$ 2,709,090	$ 2,129,631	$ 459,685	$ 305,358

Non-current assets do not include financial instruments, deferred income tax assets, net defined welfare assets.

c. Information on major customers

Among the sales revenues of 2018 and 2017, $300,019 thousand and $264,420 thousand, respectively, came from the biggest customers of the Group. The Group does not have revenues from a single customer that exceeds 10% of the consolidated operating revenues in 2018 and 2017.

Advanced Power Electronics Co., Ltd. and its subsidiaries

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. and its subsidiaries

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 Group.

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. and its subsidiaries

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 5 and 6.

TABLE 4

Advanced Power Electronics Co., Ltd. and its subsidiaries

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

No.	Company Name	Counter Party	Nature of Relationship (Note 3)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms (Note 4)	Percentage of Consolidated Net Revenue or Total Assets (Note 2)
0	APEC	Green Power Semiconductor Co., Ltd.	(1)	Purchases	$ 52,071	Note 4	2
				Other Expense	5,124	Note 4	-
				Prepayments	4,270	Note 4	-
				Payables to related parties	3,569	Note 4	-
1	APEC	OPC Microelectronics Co., Ltd.	(1)	Net revenue from sale of goods	87,532	Note 4	3
				Prepayments	60,637	Note 4	3
				Receivables from related parties	12,238	Note 4	1
2	Green Power Semiconductor Co., Ltd.	OPC Microelectronics Co., Ltd.	(3)	Purchases	54,795	Note 4	2
				Payables to related parties	4,838	Note 4	-
				Prepayments	3,788	Note 4	-
2	Future Technology Consulting (BVI), Inc.	Shenzhen Fucheng Electronics Co., Ltd.	(3)	Professional service fees	16,162	Note 4	-
2	Future Technology Consulting (BVI), Inc.	OPC Microelectronics Co., Ltd.	(3)	Other receivables from related parties	15,358	Note 4	1

Note 1: This table only shows one-way transaction information. The above transactions have been written off when the consolidated financial statement was prepared.

Note 2: In calculating the ratio, the transaction amount is divided by consolidated total assets for balance sheet accounts and is divided by consolidated total revenues for income statement accounts.

Note3: The transaction relationships with the counterparties are as follows.

(1) The parent company to the consolidated subsidiary.

(2) The consolidated subsidiary to the parent company.

(3) The consolidated subsidiary to another consolidated subsidiary.

Note 4:ransaction terms are similar to those for ordinary customers. ◦

TABLE 5

Advanced Power Electronics Co., Ltd. and its subsidiaries

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 6

Advanced Power Electronics Co., Ltd. and its subsidiaries

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 7

Advanced Power Electronics Co., Ltd. and its subsidiaries

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.