Stock Code
3311

Silitech Technology Corporation

2018 Annual Report

(Translation)

(This English translation is prepared in accordance with the Chinese version and is for reference only. If there is any inconsistency between the Chinese version and this translation, the Chinese version shall prevail.)

Printed on April 30, 2019
Taiwan Stock Exchange Market Observation Post System: http://mops.twse.com.tw
Silitech annual report is available at http://www.silitech.com

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Name of Any Exchanges Where the Company's Securities Are Traded Offshore and Information: None.

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Letter to Shareholders

Dear Shareholders,

In 2018, Silitech continued to pursue our new business direction in cross-industry applications. We applied our specialized core technologies and techniques to the integration of rubber, plastic and optical components within two main production and product categories: Mechanical Integration and Automotive Components. In 2018, our global consolidated revenues reached NT$2.251 billion, a 1.48% decrease from the previous year (NT$2.285 billion). Net losses after tax amounted to NT$33.82 million, representing a loss per share of NT$0.19; these figures represent a 58.81% decrease from those in the previous year (NT$82.11 million and NT$0.46, respectively).

Business Performance

Due to the popularity of touch-controlled smartphones since 2013, demand for mobile phone keypads has been on a gradual decline. In response, Silitech has turned to cross-industry applications, committing to develop extensions of existing technologies to fields unrelated to mobile keypads. We also invested in developing new technologies aimed at advancing our existing Automotive Components. In 2018, revenues from Mechanical Integration accounted for 56% of our global consolidated revenue: In addition to maintaining traditional mobile phone keypads and gaming console products, we also developed new cross-industry applications such as toys, smart lock modules, network communications, and smartwatch straps. Automotive Components accounted for 44% of our revenue: In addition to solidly profitable automotive interior components, we also developed new applications such as 3D glass car keys and glass car panels, and are actively developing new technologies for interior mechanical components. Summing up our investments in R&D for the aforesaid two major application categories, we are not only evaluating possibilities for investing in new technologies, but also continuing to upgrade our core technologies and actively develop components that integrate optical, mechanical and electronic elements, as well as cross-industry applications to satisfy customer demand and align with market trends. In 2018, Silitech's R&D expenditures amounted to NT$124 million, accounting for 6% of our revenue. The two major application categories contributed over 25% of total revenue in new applications.

Future Outlook

In 2018, the global market has been rocked by instability caused from the U.S.-China Trade War. The U.S. and emergent countries such as India achieved higher economic growth than in the previous year, but the pace of growth for other countries has generally slowed down. According to 2019 predictions for the manufacturing industry published by TIER, the performance of global trade will be affected by factors such as unresolved U.S.-China trade disputes, limited momentum of mobile device industry growth, and turmoil in emerging markets and financial markets. As a result, the International Monetary Fund and the Organization for Economic Co-operation and Development have both revised down economic growth for 2019. There will be benefits from the continual dissemination of emerging technologies such as artificial intelligence, the Internet of Things, and high-performance computing, which will help boost manufacturing momentum; but the overall manufacturing industry outlook for 2019 is poor.

Confronting such fluctuations in the macroeconomic environment, Silitech will redeploy global sales and production businesses, continuing our dedication to cross-industry applications. In terms of production operations, Silitech provides customers with flexible services in preliminary product design and R&D, while also improving the speed and precision of product development and product verification, in pursuit of higher market share. Meanwhile, we plan and execute advanced manufacturing (preliminary smart manufacturing), while continuing to pursue automation, thereby reducing labor costs and improving production efficiency. Regarding Mechanical Integration in 2019, we expect that mobile phone keypad manufacturing will continue to decline, while the customer base for 3C cross-industry Mechanical Integration will gradually start to develop. Mechanical and optical module applications will increase. Regarding Automotive Components, automotive interior mechanical modules/components will continue to grow and profit steadily, while automotive interior glass will also grow considerably. In addition, idle factories in Suzhou were sold and re-invested in 2018, while resources will be reconfigured in 2019 to increase shareholder equity.

Looking forward, Silitech will continue our management philosophy focusing on customer experience, product quality, and technological advancement in our progress towards sustainable development. Within our corporate culture characterized by “integrity, respect, innovation, expertise, and excellence,” we continue using the spirit of organizational learning and teamwork to improve responsiveness and product competitiveness. We continue to focus on intensifying and extending our core technologies and skills based on developing and producing precision components, while integrating industrial trends. By combining deep, substantial customer relations with cross-industry developments, we hope to offer customers design and service that bring high added value. Through synergy brought by integration of sales, research, and production, we robustly promote our developmental goals in terms of income and profit growth, thereby creating common prosperity for shareholders, employees, customers, and suppliers.

Chairman: Raymond Soong

Company Profile

2.1 Date of Incorporation: 2001/10/26

2.2 Company History:

1978 – Established Silitek Rubber Corporation.

1983 – Renamed as Silitek Corporation and began to produce Auto Parts.

1990 – Tamsui Plant won the FORD Q1 Global Quality Excellence Award.

1991 – Started to produce OA products.

1993 – Started to produce mobile phone keypads and introduced the "customer-oriented" business management model.

1994 – Tamsui Plant obtained ISO-9002 Certification.

1995 – Malaysia Plant won the FORD Q1 Global Quality Excellence Award and obtained ISO-9002 Certification.

1996 – Shenzhen Xurong Plant obtained ISO-9002 Certification.

1997 – Tamsui Plant and Malaysia Plant obtained QS-9000 Certification.

1998 – Malaysia Plant obtained ISO-14001 Certification.

1999 – Won the Chrysler Best Supplier Award.
– Shenzhen Xurong Plant obtained QS-9000 Certification.

2001 – Established Silitech Technology Corporation with a paid-up capital of NT$ 1 million. Due to cash injection, the paid-up capital was increased to NT$300 million in November.

2002 – In July, due to cash reduction, the paid-up capital was decreased to NT$ 150 million.
– Accepted all assets, liabilities and operations generated by the Rubber Division of Silitek Corporation on October 1. The paid-up capital was increased to NT$ 450 million.

2003 – Due to recapitalization from earnings, employee bonus and capital surplus, the paid-in capital was increased to NT$ 780,600 thousand.
– Shenzhen Xurong Plant won the outstanding contribution unit of export processing zone in Shajing Town.

2004 – Listed on the Taiwan Stock Exchange approved by the FSC in March.
– Established Changsu Plant; established Magnesium and Aluminum BU in Tamsui Plant.
– Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 911,465 thousand.
– Won the Gold Trade Award of the Excellent Exporter of the Ministry of Economic Affairs.
– Won the BenQ and Shin-Etsu Best Supplier Award.

2005 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,135,578 thousand.
– Established Silitech Technology (Suzhou) Co., Ltd.
– Won the Arima Best Supplier Award.

2006 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,348,299,720.
– Won the Motorola and Arima Best Supplier Award.

2007 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,507,301,590.
– Won the Arima Best Supplier Award.

2008 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,713,770,160.
– Won the Samsung Quality Award.

2009 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,759,437,740.
– Won the German iF Material Award 2009.

2010 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,792,225,880.

2011 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,829,552,870. In December, the treasury shares were canceled and the paid-in capital was reduced to NT$ 1,809,552,870.

2012 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,845,642,830.

2013 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,877,057,500.

2014 – Due to recapitalization from earnings and employee bonus, the paid-in capital was increased to NT$ 1,893,838,160.

2015 – Entered the automotive glass industry and started to produce curved glass related products

2016 – Shenzhen Xurong Plant obtained ISO-5001 Energy Management System Certification.

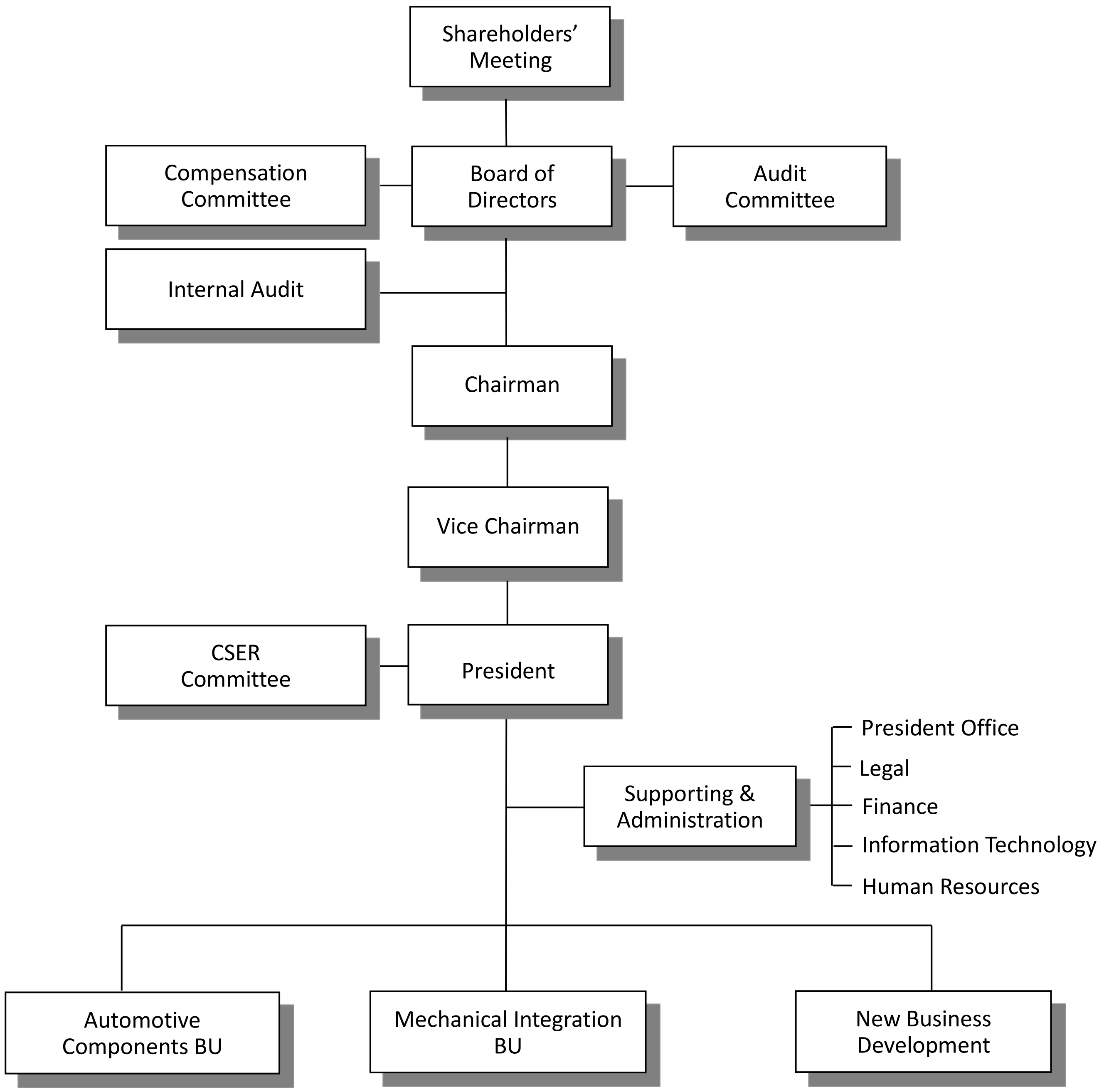
2018 – The treasury shares were canceled and the paid-in capital was reduced to NT$ 1,793,838,160.
– Shenzhen Xurong Plant obtained ISO-14001 Certification.
– Shenzhen Xurong Plant obtained TS16949 Certification for automotive products.
– Disposed of the land use right and factory buildings of Suzhou Plant to enhance the efficiency of assets.
– Entered the key component industry of smart home and produced related products.

2019 – Won the Best Quality Excellence Award for Asian suppliers from the Bosch Groups.

Corporate Governance Report

3.1 Company Organization

3.1.1 Organization Chart



3.1.2 Major Corporate Functions

Major Department	Functions
Internal Audit	◆ Assisting the Board and the Managers in reviewing and inspecting deficiency of the internal control system and evaluating the effectiveness and efficiency of the operation. Providing suggestions for improvement to ensure that the internal control system can be implemented continuously and a basis for reviewing the internal control system.
President Office	◆ Assisting the President to supervise and manage business performance, strategic planning and achieve company operational goals.
Automotive Components BU	◆ Based in Malaysia, serving customers in the European and American automotive markets and providing a complete product line for interior decoration mechanical components and keypad components.
Mechanical Integration BU	◆ Extending the use of light, mechanics, electronics, materials and core technologies to develop optical and mechanical components. Expanding and extending the application of forward-looking industries.
New Business Development	◆ By the extension of core technologies or expansion of core channels, investing and developing high value-added product lines to expand the development in forward-looking industries and product areas.
Legal	◆ In charge of formulation, review, assistance and negotiation of various contracts. Providing legal information related to the company's operations. Coordinating the intellectual property, patents, copyrights, trademarks, business secrets and technology licenses of the Company.
Finance	◆ Providing professional financial services to assist the Company to enhance its management performance; formulating strict risk control to implement financial supervision continuously and effectively. ◆ Implementing and managing related matters regarding financial, accounting, tax, analysis and evaluation of management reports, and budgeting plans. ◆ Promulgating the Company's financial, accounting and corporate information. Handling corporate governance related matters according to the laws.
Information Technology	◆ Planning and managing computer information and other related matters of the Company.
Human Resources	◆ Planning and implementing the Company's human resources, staff communication, education and training, general affairs and other related matters.

3.2 Information On Board Directors, President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

3.2.1 Information on Board Directors

2019/4/14

Title (Note 1)	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience (Note 3)	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree		
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Position	Name	Relation ship
Chairman	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Raymond Soong	Male	2018/6/12	3 years	2001/10/24	60,757,310 0	33.87% 0%	60,757,310 1	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Honorary PhD in Management, National Chiao Tung University Chairman & Founder of LITE-ON Group/LITE-ON Cultural Foundation Member of Board of Councilors, the Doctorate College of Technology, South California (USC) Chief Engineer, Texas Instruments Taiwan Ltd	Note 4	None	None	None
Vice Chairman	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Warren Chen	Male	2018/6/12	3 years	2001/10/24 2006/6/23	60,757,310 0	33.87% 0%	60,757,310 1	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Chemical Engineering, Chinese Culture University GCEO of LITE-ON Group and CEO of LITE-ON Technology Corp. President, LITE-ON Electronic Co. Manufacturing Super-Intendant, Texas Instrument	Note 5	None	None	None
Director	R.O.C. R.O.C.	Lite-On Technology Corporation Representative Charlie Tseng	Male	2018/6/12	3 years	2001/10/24 2017/3/10	60,757,310 0	33.87% 0%	60,757,310 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	EMBA, National Chiao Tung University. CEO, LITE-ON IT Corporation	Note 6	None	None	None
Director	R.O.C. R.O.C.	Lite-On Technology Corporation Representative King, Yung-Chou	Male	2018/6/12	3 years	2001/10/24 2007/11/16	60,757,310 0	33.87% 0%	60,757,310 0	33.87% 0%	0 0	0% 0%	0 0	0% 0%	Industrial Engineering, Chung Yuan Christian University Planning Super-Intendant, Texas Instrument Vice President of LITE-ON Technology Corp.	Note 7	None	None	None
Independent Director	R.O.C.	C.P. Chang	Male	2018/6/12	3 years	2006/6/23	0	0%	0	0%	0	0%	0	0%	Master of Laws, National Cheng-Chi University Chairman, Fuhwa Financial Holding Co., Ltd. Deputy Minister, Ministry of Economic Affairs Deputy Secretary General, Executive Yuan Vice Minister, Ministry of Finance Chairman, Securities and Exchange Commission, Ministry of Finance	Note 8	None	None	None

Title (Note 1)	Nationality or Registration Country	Name	Gender	Date Elected	Term	Date First Elected (Note 2)	Shareholding When Elected		Current Shareholding		Shares Currently Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience （Note 3）	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree		
							Number of shares	%	Number of shares	%	Number of shares	%	Number of shares	%			Position	Name	Relation ship
Independent Director	R.O.C.	James Kuo	Male	2018/6/12	3 years	2003/6/27	0	0%	0	0%	0	0%	0	0%	Chemistry, National Taiwan Normal University Marketing Manager, Kenvex Chemical Corp. Managing Director, Rubber BU, Asia/Pacific Area, Dow Corning Inc.	Note 9	None	None	None
Independent Director	R.O.C.	Chiu, Te-Chen	Male	2018/6/12	3 years	2010/6/14	0	0%	0	0%	0	0%	0	0%	MBA, National Cheng-Chi University Vice Chairman, Taiwan Life Insurance Co., Ltd.	Note 10	None	None	None

Note 1: Juristic person shareholders shall list the name and representative of the juristic person shareholder respectively.

Note 2: Fill in the date for first elected. If any interruption, please state a note.

Note 3: If has worked for certified public accountant firm or its affiliate business in the aforementioned period, please state the position and function.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 4: Chairman, LITE-ON Technology Corp., LITE-ON Semiconductor Corp., DIODES, INC., LITE-ON semi (Wuxi) Ltd. and LITE-ON Semi Electronics (Wuxi) Co., Ltd.
Chairman, representative of Silitech Technology Corp., Co-tech Copper Foil Corporation and LITE-ON Electronics Co., Ltd.(HK)
Director, DYNA International Holding Co., Ltd., DYNA International Co., Ltd., LITE-ON Semiconductor (HK) Ltd. and On-Bright Electronics Incorporated.
Director, representative of LITE-ON China Holding Co. Ltd., LITE-ON International Holding Co., Ltd.(BVI), Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corp. Sdn. Bhd., Silitech (Hong Kong) Holding Ltd., Silitech Technology (Suzhou) Co.,Ltd. and Xurong Electronic (Shenzhen) Co., Ltd.

Note 5: Vice Chairman, representative of LITE-ON Technology Corp. and Silitech Technology Corp.
Director, representative of LITE-ON Semiconductor Corp., LITE-ON China Holding Co., Ltd., LITE-ON Electronics Co., Ltd.(HK), LITE-ON International Holding Co., Ltd.(BVI), , Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corp. Sdn. Bhd., Silitech (Hong Kong) Holding Ltd., Silitech Technology (Suzhou) Co., Ltd. and Xurong Electroinc (Shenzhen) Co., Ltd.
GCEO of LITE-ON Technology Corp.

Note 6: Director, representative of Silitech Technology Corp. and Dragonjet Corporation.
Business Group CEO of LITE-ON Technology Corp.

Note 7: Independent Director, Actron Technology Corp.
Director, On-Bright Electronics Incorporated.
Director, representative of Silitech Technology Corp.

Note 8: Independent Director, Silitech Technology Corp., Powerchip Technology Corp., Formosa Petrochemical Corp. and INVENTEC Corp.
Director, representative of Maxigen Biotech Inc.
Supervisor, Jintex Corporation Ltd.

Note 9: Independent Director, Silitech Technology Corp.

Note 10: Independent Director, Silitech Technology Corp. and Chicony Power Technology Co., Ltd.
Director, Elan Microelectronics Corp.
Director, representative of Depo Auto Parts Industrial Co., Ltd., Sharehope Medicine Co., Ltd. and Amiccom Electronics Corporation.

3.2.2 Major Shareholders of the Institutional Shareholders

2019/4/14

Institutional Shareholder (Note 1)	Shareholders & Shareholdings (Note 2)
Lite-On Technology Corporation	Ta-Rong Investment Co., Ltd.: 3.63%
	Raymond Soong: 3.37%
	Bank of Taiwan in Custody for Silchester International Investors International Value Equity Trust: 2.98%
	Bank of Taiwan in Custody for Ma Shi Investment Fund: 2.47%
	Ming-Hsing Investment Co., Ltd.: 2.01%
	Ta-Sung Investment Co., Ltd. : 2.00%
	Fubon Life Insurance Co., Ltd.: 1.96%
	Yuan Pao Development & Investment Co. Ltd.: 1.68%
	New Labor Pension Fund: 1.55%
	Bank of Taiwan in Custody for Silchester International Investors International Value Equity Group Trust: 1.55%

Note 1: The director is a juristic person representative and the name of the juristic person should be filled in.
Note 2: Fill in the name of the major shareholder of the juristic person (the top ten shareholders) and its shareholdings. If the major shareholder is a juristic person, the following table should be added.

3.2.2 Institutional Shareholder Representatives for Major Shareholders of the Institutional Shareholders

2019/4/14

Name of Institutional Shareholder (Note1)	Major Shareholders of Institutional Shareholders (Note2)
Ta-Rong Investment Co., Ltd.	Soong, Yan-Yi: 0.43%、Soong, Jun-Yi: 0.01%
Bank of Taiwan in Custody for Silchester International Investors International Value Equity Trust	N/A
Bank of Taiwan in Custody for Ma Shi Investment Fund	N/A
Ming-Hsing Investment Co., Ltd.	Soong, Hui-Ling: 11.65%
Ta-Sung Investment Co., Ltd.	Soong, Yan-Yi: 21.20%
Fubon Life Insurance Co., Ltd.	Fubon Financial Holding Co., Ltd: 100%
Yuan Pao Development & Investment Co. Ltd.	Soong, Yan-Yi: 21.20%
New Labor Pension Fund	N/A
Bank of Taiwan in Custody for Silchester International Investors International Value Equity Group Trust	N/A

Note 1: If the main shareholder of the above table is a juristic person, the name of the juristic person should be filled in.
Note 2: Fill in the name of the major shareholder of the juristic person (the top ten shareholders) and its shareholdings.

3.2.4 Independence Analysis of Board Directors

2019/4/14

Criteria / Name (Note 1)	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Meet the Independence Criteria (Note 2)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lite-On Technology Corporation Representative Raymond Soong			✓			✓				✓		✓		0
Lite-On Technology Corporation Representative Warren Chen			✓			✓	✓			✓	✓	✓		0
Lite-On Technology Corporation Representative Charlie Tseng			✓			✓	✓			✓	✓	✓		0
Lite-On Technology Corporation Representative King, Yung-Chou			✓	✓		✓	✓			✓	✓	✓		1
C.P. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
James Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note 1: Adjust the row according to the actual needs.

Note 2: Directors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

(1) Not an employee of the company or any of its affiliates;

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of

one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof, provided that this restriction does not apply to any member of the compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter";

(8) Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company;

(9) Not been a person of any conditions defined in Article 30 of the Company Act; and

(10) Not a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

3.2.5 Information on President, Vice Presidents, Assistant Vice Presidents and the Heads of Various Divisions and Branches

2019/4/14

Title (Note 1)	Nationality	Name	Gender	Date Appointed	Shares Held		Shares Held by Spouse and Underage Children		Shares Held in Name of Others		Key Education/Work Experience (Note 2)	Other Current Positions Within the Company	Other Officer, Director or Supervisor Who Are Spouse or Relative within Second Degree		
					Number of shares	%	Number of shares	%	Number of shares	%			Position	Name	Relation ship
President	R.O.C.	James Huang	Male	2015/1/1	66,433	0.04%	7,476	0%	0	0%	Mechanical Engineering, Chien Hsin Industrial College Assistant Vice President, Silitek Corporation Rubber BU Vice President, Leader Technology Co., Ltd.	Note 3	None,	None	None
Assistant Vice President	R.O.C.	Kevin Yeh	Male	2018/11/1	115,000	0.06%	85,000	0.05%	0	0%	MBA study, University of Western Sydney Electrical Engineering, Tungnan Junior College Sales and RD Head, Silitech Technology Corporation Sales and RD Head, Silitech Technology Corporation	None	None	None	None
CFO (Chief Finance and Accounting Officer)	R.O.C.	Sarah Cheng	Female	2018/4/18	0	0%	0	0%	0	0%	Accounting, TamKang University R.O.C. CPA Qualification Senior Manager, Lite-On Technology Corporation Accounting Department Chief Accounting Officer, Chien Kuo Construction Co., Ltd Assistant Manager, Deloitte & Touche	Note 4	None	None	None

Note 1: Include the Information on President, vice presidents, assistant vice presidents and the heads of various divisions and branches

Note 2: If has worked for certified public accountant firm or its affiliate business in the aforementioned period, please state the position and function.

Below notes of other positions of the Company or other companies only display public offering companies and important subsidiaries thereof.

Note 3: Director, representative of Silitech (BVI) Holding Ltd., Silitech (Bermuda) Holding Ltd., Silitech Technology Corp. Ltd., Silitech Technology Corporation Sdn. Bhd., Xurong Electronic (Shenzhen) Co., Ltd., Silitech Technology (Suzhou) Co., Ltd. and Silitech (Hong Kong) Holding Ltd. President, Xurong Electronic (Shenzhen) Co., Ltd. and Silitech Technology (Suzhou) Co., Ltd.

Note 4: Supervisor, Xurong Electronic (Shenzhen) Co., Ltd. and Silitech Technology (Suzhou) Co., Ltd.

3.3 Remuneration to Directors & Managers

3.3.1 Remuneration to Directors (Independent Director)

Unit: NT$ thousands; %

Title	Name	Directors Remuneration								(A+B+C+D) as a % of Net Income (%) (Note 10)		Compensation Earned by a Director Who is an Employee of the Company or of the Company's Consolidated Entities								(A+B+C+D+E+F+G) as a % of Net Income (%) (Note 10)		Remuneration from Re-investments other than Subsidiaries (Note 11)
		Base Compensation (A) (Note 2)		Severance Pay and Pensions (B)		Compensation to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay and Pensions (F)		Employees' Compensation (G) (Note 6)						
		The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company	All Companies In Financial Statements (Note 7)	The Company		All Companies In Financial Statements (Note 7)		The Company	All Companies In Financial Statements (Note 7)	
																Cash	Stocks	Cash	Stock			
Juristic-person Director	Lite-On Technology Corporation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Chairman	Lite-On Technology Corporation Representative Raymond Soong	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Vice Chairman	Lite-On Technology Corporation Representative Warren Chen	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative Danny Liao (Resigned on 2018/6/12)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative Charlie Tseng	0	0	0	0	0	0	15	15	(0.04)	(0.04)	0	0	0	0	0	0	0	0	(0.04)	(0.04)	None
Director	Lite-On Technology Corporation Representative Cherng Chao (Resigned on 2018/6/12)	0	0	0	0	0	0	5	5	(0.02)	(0.02)	0	0	0	0	0	0	0	0	(0.02)	(0.02)	None
Director	Lite-On Technology Corporation Representative King, Yung-Chou	0	0	0	0	0	0	30	30	(0.09)	(0.09)	0	0	0	0	0	0	0	0	(0.09)	(0.09)	None

Director	Lite-On Technology Corporation Representative Jimmy Lin (Resigned on 2018/6/12)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Director	Lite-On Technology Corporation Representative SY Wu (Resigned on 2018/6/12)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	None
Independent Director	C.P. Chang	600	600	0	0	0	0	40	40	(1.89)	(1.89)	0	0	0	0	0	0	0	0	(1.89)	(1.89)	None
Independent Director	James Kuo	600	600	0	0	0	0	75	75	(2.00)	(2.00)	0	0	0	0	0	0	0	0	(2.00)	(2.00)	None
Independent Director	Chiu, Te-Chen	600	600	0	0	0	0	70	70	(1.98)	(1.98)	0	0	0	0	0	0	0	0	(1.98)	(1.98)	None
* Except as disclosed in the above chart, remuneration to directors received due to the service provided to all companies listed in the financial statement in the most recent year: 0																						

Note 1: Juristic person shareholders shall list the name and representative of the juristic person shareholder respectively.

Note 2: This table lists incumbent Directors and their respective remuneration (including director's salary, additional pay, severance pay, various rewards, incentives, etc.) in the most recent year.

Note 3: Compensation to Directors in the most recent year has been approved by the Board of Directors.

Note 4: Refers to the expenses incurred by Directors to perform relevant duties (including transportation, attendance fees, special disbursements and various allowances and etc.) in the most recent year.

Note 5: Refers to the salaries, additional pay, severance pay, various rewards, incentives, treasury stock price difference, transportation subsidies, special allowance, various allowances and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock option, restricted new shares to employees and shares acquired from participation in cash capital increase option and so forth, received by Directors who is also an employee (including as President, vice president, managers and employees) in the most recent year.

Note 6: Compensation to Directors who is also an employee (including as President, vice president, managers and employees) and receiving employee compensation (including stock and cash) in the most recent year has been approved by the Board of Directors.

Note 7: Refers to the total pay to the Company's Directors from all companies in the consolidated statements (including the Company).

Note 8: For the remuneration paid to Directors of the Company by the Company, names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 9: For the remuneration paid to Directors of the Company by all companies in the consolidated statements (including the Company), names of every Director shall be disclosed in their corresponding range within the remuneration schedule.

Note 10: After-tax net income refers to the after-tax net income of financial statement in the most recent year.

Note 11: a. Fills in the amount of related remunerations a director of the Company receives from investees other than subsidiaries of the Company in this column.

b. If the Directors of the Company receive remunerations from investees other than subsidiaries of the Company, the remunerations shall be combined into “I column” of remuneration ranking table and the column will be renamed as “all Investments”.

c. The remuneration refers to remuneration, compensation (including compensation to employees, Directors and Supervisors) and related remunerations for the performance of duties received by a Director of the Company serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation

3.3.2 Remuneration to Supervisors: Not Applicable. (The Company has set up Audit Committee.)

3.3.3 Remuneration to President and Vice President

Unit: NT$ thousands; %

Title	Name	Salary (A) (Note 2)		Severance Pay and Pensions (B)		Bonuses and allowances (C) (Note 3)		Employees' Compensation (D) (Note 4)				(A+B+C+D) as a % of Net Income (%) (Note 8)		Remuneration from Re-investments other than Subsidiaries (Note 9)
		The Company	All Companies In Financial Statements (Note 5)	The Company	All Companies In Financial Statements (Note 5)	The Company	All Companies In Financial Statements (Note 5)	The Company		All Companies In Financial Statements (Note 5)		The Company	All Companies In Financial Statements (Note 5)	
								Cash	Stock	Cash	Stock			
President	James Huang	2,784	2,784	191	191	0	0	0	0	0	0	(8.80)	(8.80)	None

*Discloses the manager's ranked vice president (and equivalents) or above.

Note 1: President and vice presidents shall list the name respectively.

Note 2: Includes salary, additional pay and severance pay of President and vice presidents in the most recent year.

Note 3: Refers to various bonuses, incentives, company car rental fees, vehicle subsidies, special allowance and salary expenses listed in accordance with IFRS 2 "share-based payment", including shares acquired under employee stock options, restricted new shares to employees and shares acquired from participation in cash capital increase options and so forth, received by managers ranked vice president (and equivalents) or above in the most recent year.

Note 4: Refers to employees' compensation (including stock and cash) approved by the Board of Directors for distribution to managers ranked vice president (and equivalents) or above.

Note 5: Discloses the total payment to manager's ranked vice president (and equivalents) or above from all companies in the consolidated statements (including the Company).

Note 6: For the remuneration the Company has paid, names of every manager ranked vice president (and equivalents) or above shall be disclosed in their corresponding range within the remuneration scale.

Note 7: For the remuneration paid to managers ranked vice president (and equivalents) above by all investees (including the Company), names of every manager shall be disclosed in their corresponding range within the remuneration scale.

Note 8: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.

Note 9: a. Fills in the amount of related remuneration managers ranked vice president (and equivalents) or above received from investees other than subsidiaries of the Company in this column.

b. If the managers ranked vice president (and equivalents) or above of the Company receive remunerations from investees other than subsidiaries of the Company, the remunerations shall be combined into "E column" of remuneration ranking table and the column will be renamed as "all Investments".

c. The remuneration refers to pay, compensation (including compensation to employees, Directors and Supervisors) and related remunerations for the performance of duties received by the Company's managers ranked vice president (and equivalents) or above while serving as a Director, Supervisor or manager of an investee of the Company other than subsidiaries.

*The remuneration content disclosed in this Table differs from the income concept of the Income Tax Act; therefore, this Table acts as a form of information disclosure and does not serve for the purpose of taxation.

3.3.4 Distribution of Employees' Compensation to Managers

2019/2/25

Unit: NT$ thousands; %

	Title (Note 1)	Name (Note 1)	Cash	Stock	Total	as a % of Net Income （%）
Managers	President	James Huang	0	0	0	0
	Assistant Vice President	Kevin Yeh				
	CFO (Chief Finance and Accounting Officer)	Sarah Cheng				

Note 1: The Company's Board of Directors on February 25, 2019 resolved no compensation distributed to employees.

Note 2: This Table lists managers in active duty as of the end of 2018 and their summarized 2018 employees' compensation for managers approved by the Board of Directors.

Note 3: After-tax net income refers to the after-tax net income of individual financial statement in the most recent year.

Note 4: In accordance with the letter No. 0920001301 of SFC on March 27, 2003, the scope of Managers includes:

(1) President and equivalent
(2) Vice President and equivalent
(3) Assistant Vice President and equivalent
(4) Chief Finance Officer
(5) Chief Accounting Officer
(6) Other persons who manage the company and sign for the company

Note 5: If the directors, president and vice president have received employees' compensation (including stock and cash), please fill in this form in addition to the attached table.

3.3.5 Analysis of remunerations to Directors, President and vice presidents as a percentage of Net Income (Loss) in the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance:

- **Analysis of remunerations to Directors, President and vice presidents as a percentage of earnings in the last two years:**

	as a % of Net Income (Loss)			
	2017		2018	
	The Company	All Companies In Financial Statements	The Company	All Companies In Financial Statements
Directors	(2.42%)	(2.42%)	(6.02%)	(6.02%)
President & Vice Presidents	(3.64%)	(3.64%)	(8.80%)	(8.80%)

- **Description of the policy, standards and packages of remunerations, procedure for making such decision and relation to business performance and future risk:**
  1. Policy, standards and packages of remunerations
     In addition to the distribution ratios in accordance with Article 15 of the Articles of Incorporation, the Board of Directors will resolve the director’s remunerations by considering the value of the director’s participation and contribution to the Company's operations, and also referring to the domestic and international industry standards. Remuneration policy toward Managers is formulated based on the Articles of Incorporation, prevailing market salary level, the scope of duties within the company and contribution to the company's operating objectives.
  2. Procedure for making remuneration decision
     In accordance with the Articles of Incorporation, after the Company reserved a sufficient amount from profit to offset its accumulated losses, the Company shall allocate the Directors’ compensation no more than 5% from the profit (before tax) of each fiscal year and it shall only be distributed by cash.
     Remuneration to President and Vice President is handled in accordance with the Company's Regulations for Remuneration Management approved by the board of directors.
  3. Relation to business performance and future risk
     The reasonable remuneration to the Directors, President and Vice President is accordance with “Rules for Evaluating Board of Directors and Functional Committee Performance” and “Regulations for Remuneration Management”, reference to the domestic and international industry standards, the extent of the Company's overall operational participation, contribution value and future risks.

3.4 Corporate Governance Status

3.4.1 Operation of Board of Directors:

The Board of Directors totally held 8 (A) meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Directors are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%)【B/A】	Remarks
Chairman	Lite-On Technology Corporation Representative Raymond Soong	8	0	100	None
Vice Chairman	Lite-On Technology Corporation Representative Warren Chen	8	0	100	None
Director	Lite-On Technology Corporation Representative Danny Liao	0	3	0	Resigned on 2018/6/12
Director	Lite-On Technology Corporation Representative Charlie Tseng	4	4	50	None
Director	Lite-On Technology Corporation Representative Cherng Chao	1	1	33	Resigned on 2018/6/12
Director	Lite-On Technology Corporation Representative King, Yung-Chou	7	1	88	None
Director	Lite-On Technology Corporation Representative Jimmy Lin	0	2	0	Resigned on 2018/6/12
Director	Lite-On Technology Corporation Representative SY Wu	0	1	0	Resigned on 2018/6/12
Independent Director	C.P. Chang	5	3	63	None
Independent Director	James Kuo	8	0	100	None
Independent Director	Chiu, Te-Chen	8	0	100	None

Other details that need to be recorded in meeting minutes::

1. In the event of the occurrence of any of the following scenarios with the operation of the Board of Directors, the dates of meetings, session number, resolution, opinions of all Independent Directors and the Company's subsequent action in response to these opinions shall be clearly stated::
   (1) Matters and items stipulated in Article 14-3 of the Securities and Exchange Act: The Company has set up the Audit Committee, please refer to “Operation of the Audit Committee”.
   (2) In addition to the foregoing, there were other matters to be resolved by directors’ board meetings about which an independent director expressed objections or reservations that had been included in records or stated in writing: No such situation.
2. Director recusals due to conflicts of interests totaled: 3 times.
   (1) 6th Term 14th Meeting: Discussion of review procedure for the nominees of the directors (including Independent Director) for 2018 shareholders’ meeting, the nominees: Raymond Soong, Warren Chen, Charlie Tseng, King, Yung-Chou, C.P. Chang, James Kuo and Chiu, Te-Chen recused in the qualification review and did not participate in discussion and voting respectively.
   (2) 7th Term 1st Meeting: Appointment of members of Audit Committee. C.P. Chang, James Kuo and Chiu,

Te-Chen recused in the discussion and did not participate in discussion and voting.

(3) 7^{th} Term 1st Meeting: Appointment of members of Compensation Committee. C.P. Chang, James Kuo and Chiu, Te-Chen recused in the discussion and did not participate in discussion and voting.

3. Evaluation of achievement of enhancing the Board's performance (e.g. establishing an Audit Committee and increasing information transparency)::

(1) The Company has formulated the "Regulation and Procedure for Board of Directors Meetings" of the Company in accordance with the "Regulations Governing Procedure for Board of Directors Meetings of Public Companies" to comply with the requirements. The company discloses attendance records for directors on Market Observation Post System and the major resolutions of the Board of Directors on the Company website.

(2) The Company has set up the Audit Committee with the main duties in accordance with Article 14-5 of the Securities Exchange Act. The Audit Committee also reviews the first quarter and third quarter financial statements to implement the transparency of information disclosure.

(3) The Company also appoints independent directors as members of the Compensation Committee. The main responsibilities are to evaluate the remuneration policies and systems of the directors and managers in a professional and objective position and make recommendations to the Board of Directors for decision-making.

(4) The Company has formulated the "Rules for Evaluating Board of Directors and Functional Committee Performance" and conducted regular performance evaluations every year since 2018.

3.4.2 Operation of the Audit Committee:

- **The Audit Committee totally held 7 (A) meetings in the most recent year (up to the date of publication of the annual report). The attendance records for Independent Director are as follows:**

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) 【B/A】	Remarks
Independent Director	C.P. Chang	5	2	71	None
Independent Director	James Kuo	7	0	100	None
Independent Director	Chiu, Te-Chen	7	0	100	None

Other matters that need to be recorded in meeting minutes:

1. If any of the following circumstances occurs during the operation of the Audit Committee, the Board meeting date, meeting number, the proposal contents, the resolution of the Audit Committee and our company's handling of the Audit Committee's opinions shall be clearly described.

 (1) Items listed in Article 14-5 of the Securities and Exchange Act:

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
6th Term 12th Meeting 2018.02.26	1. Approval for the Company's 2017 declaration of internal control system. 2. Approval for employees and directors compensation for 2017. 3. To authorize the Chairman to dispose of the land use right and factory buildings of subsidiary "Silitech Technology (Suzhou) Co., Ltd". 4. Approval for the Company's 2017 business report. 5. Approval for the 2017 consolidated financial statements and financial statements. 6. Assessment of independence and suitability of the certified public accountants. 7. Approval for appropriation of 2017 earnings. 8. Amendment to "Internal Control System", "Internal Auditing Implementation Rules" and "Accounting System".	V V V V V V V V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
6th Term 13th Meeting 2018.04.18	1. Approval for change in the Company's Chief Finance and Accounting Officer.	V		
6th Term 14th Meeting 2018.04.24	1. Approval for the first quarter of 2018 consolidated financial statements. 2. Amendment to "Internal Control System Procedure for Stock Affairs Units".	V V		

Directors Meeting	Proposals	Items listed in Article 14-5 of the Securities and Exchange Act	Resolution of Audit Committee	Company's Handling of Audit Committee Member's Opinion
7th Term 2nd Meeting 2018.07.26	1. Appointment and authorization of a director to approve the personnel and administration affairs of internal audit office.	V	Resolution not to appoint a director.	Directors approved not to appoint a director.
	2. Approval for the second quarter of 2018 consolidated financial statements. 3. Approval for the cancellation of treasury stock and registration of capital reduction.	V V	Proposal passed by the Audit Committee.	Directors approved the proposal unanimously.
7th Term 3rd Meeting 2018.10.29	1. Approval for 2019 annual audit plan. 2. Approval for the third quarter of 2018 consolidated financial statements. 3. Assessment of independence and suitability of the certified public accountants. 4. Formulation of "Regulations for Handling Fraud Reports"	V V V V		
7th Term 4th Meeting 2019.02.25	1. Approval for the Company's 2018 declaration of internal control system. 2. Approval for employees and directors compensation for 2018. 3. Approval for the Company's 2018 business report, 4. Approval for the 2018 consolidated financial statements and financial statements. 5. Approval for appropriation of 2018 Earnings. 6. Approval for capital reduction. 7. Amendment to "Articles of Incorporation". 8. Amendment to "Procedures for the Acquisition and Disposal of Assets". 9. Amendment to "Procedure of Signature Authorities".	V V V V V V V V V		
7th Term 5th Meeting 2019.04.25	1. Approval for the first quarter of 2019 consolidated financial statements. 2. To dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. 3. Amendment to "Internal Control System Procedure for Stock Affairs Unit". 4. Amendment to "Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees".	V V V V		

(2) Except for the foregoing items, the items that were not approved by the Audit Committee but were resolved by more than two-thirds of all directors: No such situation.

(3) Main function of the Audit Committee

A. According to Article 3 of "Audit Committee Organizational Rules", the main function of the Audit Committee is to supervise the following matters:
   a. Fair presentation of the financial reports of the Company.
   b. The appointment (and dismissal), independence, and performance of certificated public accountants of the Company.
   c. The effective implementation of the internal control system of the Company.
   d. Compliance with relevant laws and regulations by the Company.
   e. Management of the existing or potential risks of the Company.

B. The Audit Committee totally held 7 meetings in the most recent year (up to the date of publication of the annual report), the main review proposals are as follows.
   a. Review of financial statements and accounting policy
      - Submit of Audit Committee's Review Report on 2019.02.25: The Board of Directors has prepared and submitted to Audit Committee, the 2018 Business Report, Financial Statements and the proposal of distribution of earnings. The Financial Statements have been duly audited by Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal of distribution of earnings have been examined and determined to be correct by the undersigned.
      - Review the quarterly financial statements.
   b. Internal control system and procedures
      - Review of the declaration of internal control system.
      - Review of annual audit plan.
      - Review of amendment to "Internal Control System Procedure for Stock Affairs Unit".
      - Review of amendment to "Articles of Incorporation".
      - Review of amendment to "Procedures for the Acquisition and Disposal of Assets".
      - Review of amendment to "Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees".
   c. Major transactions of assets and derivatives
      - Review of the proposal to authorize the Chairman to dispose of the land use right and factory buildings of subsidiary "Silitech Technology (Suzhou) Co., Ltd" on 2018.02.26.
      - Review of the proposal to dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. on 2019.04.25.
   d. Offering or issuance of securities.
      - Review of the cancellation of treasury stock and registration of capital reduction on 2018.07.26.
      - Review of capital reduction on 2019.02.25.
   e. Assessment of independence and suitability of the certified public accountants.
      - Review of independence: Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke and their audit team are in compliance with Article 10 of The Norm of Professional Ethics for Certified Public Accountant of R.O.C. and the accountant relevant laws.
      - Review of suitability: In addition to many years of auditing services, the two

CPAs are familiar with the technology industry and understand the industry trends and are responsible for the certifying services of a number of TWSE/TPEx listed companies.

- Review of appointment of Deloitte Touche as the Certified Accountants of the Company on 2018.10.29.

f. Appointment or discharge of the Chief Finance and Accounting Officer and Chief Internal auditor.

- Review of change in the Chief Finance and Accounting Officer on 2018.04.18.

g. Audit Committee performance evaluation

- Audit Committee completed the 2018 performance self-evaluation survey in January 2019 and reported the results on 2019.02.25.

2. Independent Director recusals due to conflicts of interests totaled: No such situation.

3. Communication between independent directors, the chief internal auditor and CPAs (which should include major events, methods, results, etc. as regards the Company's financial and business conditions):

(1) Communication matters between independent directors, chief internal auditor and CPAs:

A. Chief internal auditor shall report to the Audit Committee regarding the formulation and amendments of internal control system.
B. Chief internal auditor shall report to the Audit Committee regarding the implementation and results of the annual self-inspection.
C. Chief internal auditor shall report to the Audit Committee regarding annual audit plan and execution results.
D. Chief internal auditor shall report to the Audit Committee regarding the findings of each audit operation and the follow-ups to the improvement.
E. Chief internal auditor shall provide to the Audit Committee regarding the formulation and amendments of relevant regulations.
F. Chief internal auditor shall report on the implementation and results of the audit project assigned by the Audit Committee.
G. CPAs will report on the results of the quarterly or annual financial reports and the legislation or changes of the relevant laws and regulations in the quarterly audit committee meeting.

(2) Communication between independent directors and the chief internal auditor in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2018.02.26	1. Internal audit report of the fourth quarter of 2017 2. 2017 declaration of internal control system
2018.04.24	Internal audit report of the first quarter of 2018
2018.07.26	Internal audit report of the second quarter of 2018
2018.10.29	1. Internal audit report of the third quarter of 2018 2. 2019 annual audit plan
2018.01.01~ 2018.12.31	12 audit and follow-up reports were sent to the Audit Committee for review. The Convener of the Audit Committee gave advice on each audit report. Internal audit executed and reported in accordance with the instructions of the Audit Committee.

2019.02.25	1. Internal audit report of the fourth quarter of 2018 2. 2018 declaration of internal control system
2019.04.25	Internal audit report of the first quarter of 2019
2019.01.01~ 2019.04.30	4 audit and follow-up reports were sent to the Audit Committee for review. The Convener of the Audit Committee gave advice on each audit report. Internal audit executed and reported in accordance with the instructions of the Audit Committee.

(3) Communication between independent directors and CPAs in the most recent year (up to the date of publication of the annual report):

Date	Communication Highlights
2018.02.26	1. The audit results of the consolidated financial statements and financial statements for 2017 and the legislation or changes of the relevant laws and regulations 2. Evaluation of the CPAs' independence and suitability
2018.04.24	The review results of the consolidated financial statements for the first quarter of 2018 and the legislation or changes of the relevant laws and regulations
2018.07.26	The review results of the consolidated financial statements for the second quarter of 2018 and the legislation or changes of the relevant laws and regulations
2018.10.29	1. The review results of the consolidated financial statements for the third quarter of 2018 and the legislation or changes of the relevant laws and regulations 2. Evaluation of the CPAs' independence and suitability
2019.02.25	The audit results of the consolidated financial statements and financial statements for 2018 and the legislation or changes of the relevant laws and regulations
2019.04.25	The review results of the consolidated financial statements for the first quarter of 2019 and the legislation or changes of the relevant laws and regulations

- **Participation in board meetings by the supervisors:** Not applicable, the Company has set up the Audit Committee.

3.4.3 Differences between Our Corporate Governance and the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and Reason(s):

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
1. Has the company set and disclosed the principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?"	V		The Company has formulated “Corporate Governance Best Practice Principles” according to the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and disclosed them on the Company's website.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
2. Shareholding Structure & Shareholders’ Rights (1) Does Company have Internal Operation Procedures for handling shareholders’ suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly? (2) Does Company possess a list of major shareholders and beneficial owners of these major shareholders? (3) Has the Company built and executed a risk management system and “firewall” between the Company and its affiliates? (4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V V V V		(1) The Company has established the Internal Control System Procedures for Stock Affairs Unit and a spokesperson system. Spokespersons, acting spokespersons, and stock affairs and legal affairs units are in charge of matters related to shareholders’ advice. (2) The Company has a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders. (3) The Company has established a management system in accordance with relevant laws and regulations in order to properly control the risks in the relationships between the Company and its affiliated corporations and developed adequate firewalls. (4) The Company has established the Procedure for Handling Major Internal Information, which has been passed by the Board of Directors, in order to prevent inside trading.	(1)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note)</th><th rowspan="2">Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td>3. Composition and Responsibilities of the Board of Directors
(1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?
(4) Does the Company regularly evaluate its external auditors' independence?</td><td>V

V

V</td><td>V</td><td>(1) The Company has formulated "Corporate Governance Best Practice Principles" its third chapter, Strengthening Board Competencies, specifies the policy of Board diversity.
Implementation status:
<table>
<tr><th rowspan="2">Diversification category / Name</th><th colspan="9">Diversification status</th></tr>
<tr><th>Gender</th><th>Ability to make sound business judgments</th><th>Ability to perform accounting and financial analysis</th><th>Ability to manage a business</th><th>Ability to handle crisis management</th><th>Knowledge of the industry</th><th>International market perspective</th><th>Leadership ability</th><th>Decision-making ability.</th></tr>
<tr><td>Raymond Soong</td><td>M</td><td>v</td><td></td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>Warren Chen</td><td>M</td><td>v</td><td></td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>Charlie Tseng</td><td>M</td><td>v</td><td></td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>King, Yung-Chou</td><td>M</td><td>v</td><td></td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>C.P. Chang</td><td>M</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>James Kuo</td><td>M</td><td>v</td><td></td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
<tr><td>Chiu, Te-Chen</td><td>M</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td><td>v</td></tr>
</table>
(2) The Company has established the Audit Committee and the Compensation Committee.
(3) The Company has established the Rules for Evaluating Board of Director and Functional Committee Performance, based on which the Company conducts regular annual performance evaluations. The evaluation methods include the</td><td>(1) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
(2) Under evaluation.
(3)~(4) In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.</td></tr>
</table>

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			board's self-evaluation, board members' self-evaluation, the Functional Committee's self-evaluation, and triennial evaluation by appointed external professional and independent institutions and experts. (4) The Audit Committee of the Company conducts regular annual assessments on the independence and suitability of the certified auditors and requires the certified auditors to provide a Statement of Independence. The Company has confirmed that the auditors and the Company have no relations in terms of financial interest or business operation other than the fees for processing certifications and financial taxation cases; nor do the families of the auditors violate the requirement of independence. The Board of Directors has completed assessments of the auditors' independence; the most recent assessment was complete on October 29, 2018.	
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders' meetings according to laws, handle corporate registration and amendment registration, record minutes of board meetings and shareholders meetings, etc.)?	V		The Company established a part-time corporate governance unit to be in charge of corporate governance affairs. On April 25, 2019, by board resolution, CFO Sarah Cheng was appointed as the Corporate Governance Officer to safeguard the rights and interests of shareholders and strengthen the functions of the board of directors. The primary responsibilities of the Corporate Governance Officer include the following: 1. Handling matters related to board and shareholders' meetings in accordance with the	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			law; 2. Preparing the minutes of board and shareholders' meetings; 3. Assisting directors in their appointment and continuing education; 4. Providing data required by the directors for business execution; 5. Assisting directors in complying with the law; 6. Other matters set forth in the articles of association or the contract of the company.	
5. Has the Company established a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities?	V		The Company has established its spokesperson and Stock Affairs Office. Stakeholders communication channels have been established via the Company's website, telephone, and fax.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.
6. Has the Company appointed a professional registrar for its Shareholders' Meetings?		V	The Company has established a Stock Affairs Unit in charge of the businesses of its shareholders, thus ensuring that Shareholder Meetings are always convened under the conditions of legality, effectiveness and safety.	Under Evaluation.
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status? (2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	 V V		The Company has disclosed the latest information regarding its products, finance, and human resources on its website. Dedicated personnel are in charge of collecting and disclosing such information in both Chinese and English versions for the reference of shareholders and stakeholders. Furthermore, the Company implements and complies with the Spokesperson System it has established.	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors)?	V		1. Each employee has a copy of the Employee Handbook, which clearly specifies the rights and obligations of and Code of Conduct for employees. 2. The Company attaches importance to employee care. Apart from arranging regular interviews with supervisors regarding career planning, the Company has also established channels for employee complaint (including the Sexual Assault Prevention Hotline and relevant regulations). 3. The Company has established an Investor Relations Department, in which designated customer service officers communicate with investors at any time; the Company's website is also available for stakeholders' reference. 4. The Company has been collaborating with major clients and suppliers for years and has formed strategic partnerships, in which the Company and business partners facilitate reciprocal developments under the protection of sound contracts and regulations, thus maintaining a close relationship in pursuit of common prosperity. 5. The Company attaches great importance to its relationship with stakeholders based on common interests, and steadfastly observes its duties to create prosperity. 6. All directors have professional backgrounds and	In line with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviations from Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and Reason(s)
	Yes	No	Explanation	
			practical experience in the industry and receive advanced trainings according to their individual professional requirements (please refer to Section 3.4.14 for details on Advanced Training Courses for Directors). The Company not only regularly reports the amendments to relevant laws and regulations to the Audit Committee and the Board of Directors, but also provides information regarding relevant laws and regulations when deemed necessary. 7. The Company has established internal policies and management regulations in accordance with the law, and implements various risk management and regular self-assessments. 8. "Customers first" is the established policy of the Company, through which it has gained customers' trust and recognition. The Company also closely follows payment and credit statuses to protect its rights. 9. The Company has purchased Directors and Officers Liability Insurance, and reported it to the Board of Directors after the policies became effective.	
9. With respect to the results of the annual Corporate Governance Evaluation most recently issued by the Corporate Governance Center of Taiwan Stock Exchange, please describe the improvements and provide priority and measures to enhance those matters that have not yet been improved. The Company will continue considering the possible measures to enhance the results of the Corporate Governance Evaluation.				

Note: The Company shall provide explanations regardless of whether Implementation Status ticked "Yes" or "No."

3.4.4. Composition, Duties and Operation of the Compensation Committee:

- **Information of the members of the Compensation Committee**

Identity (Note 1)	Criteria / Name	Meet the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Meet the independence criteria (Note 2)								Number of Other Taiwanese Public Companies Concurrently Serving as a Compensation Committee Member	Remark
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8		
Independent Director	C.P. Chang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	None
Independent Director	James Kuo			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	None
Independent Director	Chiu, Te-Chen			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	None

Note 1: Please fill in as a director, independent director or others.

Note 2: Compensation Committee Members, during the two years before being elected or during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes:

(1) Not an employee of the company or any of its affiliates;

(2) Not a director or supervisor of the company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan or with the laws of the country of the parent company or subsidiary;

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders;

(4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the above persons in the preceding three subparagraphs;

(5) Not a director, supervisor, or employee of a corporate/institutional shareholder that directly holds five percent or more of the total number of issued shares of the company or ranks as of its top five shareholders;

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the company;

(7) Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the company or to any affiliate of the company, or a spouse thereof;

(8) Not been a person of any conditions defined in Article 30 of the Company Act.

- **Information on Operation of the Compensation Committee**
  1. The Company's Compensation Committee is comprised of three members.
  2. Term for the current committee members: From June 12, 2018 to June 11, 2021. The Compensation Committee met three times in 2018 and the job titles and attendance records of the committee members are as follows:

Title	Name	Attended in Person (B)	Attended by Proxy	Attendance Percentage (%) (B/A)	Remarks
Convener	Chiu, Te-Chen	3	0	100	None
Member	C.P. Chang	2	1	67	None
Member	James Kuo	3	0	100	None

Other matters that need to be recorded in meeting minutes:

1. The matters for discussion and resolution by the Compensation Committee and the Company’s handling of the opinions of the members of the Compensation Committee:

Compensation Committee	Proposals	Resolution of Compensation Committee	Company’s Handling of Compensation Committee Member’s Opinion
3rd Term 6th Meeting 2018.02.26	1. The allocation rate of employees and directors compensation for 2018. 2. Amendment to “Compensation Committee Organizational Rules”.	Proposal passed by the Compensation Committee.	Directors approved the proposal unanimously.
4th Term 1st Meeting 2018.07.26	1. Amendment to ”Procedures for Appointment or Discharge and Compensation of Manager”. 2. Amendment to “Procedures for Employee Compensation”.	The Compensation Committee suggested that parts of provision be amended. It shall be discussed in the next meeting.	Directors approved to discuss in the next meeting.
4th Term 2nd Meeting 2018.10.29	1. Appointment of Manager. 2. Amendment to ”Procedures for Appointment or Discharge and Compensation of Manager”. 3. Amendment to “Procedures for Employee Compensation”.	Proposal passed by the Compensation Committee.	Directors approved the proposal unanimously.

2. The items that were not approved by the Compensation Committee but were resolved by the Board of Directors: No such situation.
3. Decisions made by the Compensation Committee for which certain committee members were against or reservations that were recorded or expressed via written statements: No such situation.

3.4.5 Fulfillment of Social Responsibility:

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
1. Implementation of corporate governance (1) Has the company established a CSR policy or system and examination of its implementation results? (2) Has the company periodically provided educational training on CSR? (3) Has the company established a dedicated or non-dedicated department for fulfilling CSR, with the Board of Directors authorizing high-ranking managers to handle such efforts and report the relevant progress to the Board of Directors? (4) Has the company established reasonable salary/compensation policies, integrated employees performance appraisal system with the CSR policy and established clear and effective reward and punishment systems?	V V V V		(1) The Company has established the Comprehensive Corporate Social Responsibility Policy and a management system, and reviews its implementation on an annual basis. (2) The Company provides CSR trainings on a regular basis. (3) The Company has established Corporate Social Responsibility Committee (CSER Committee), thereby fundamentally realizing CSR. Our CSR business is operated by senior managers with the authorization from the Board of Directors, and its progress is reported to the Board of Directors on an irregular basis. (4) The Company has formulated a reasonable remuneration policy. It has established the Compensation Committee, and stipulated in Article 15 of its Articles of Incorporation that no less than 10% of the Company's annual profit should be allocated for employee remuneration. The Company also realizes its CSR philosophy in its internal management system connected with its employee performance evaluation system. The Company has established clear and effective reward and punishment policies, including the Regulations for Remuneration Management, Regulations for Performance Evaluation, and Regulations for Employee Rewards and Punishments. In doing so, the Company is progressively instilling	(1)~(4) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
			the concept of CSR into every employee and thereby shaping Silitech's corporate culture.	
2. Developing a sustainable environment (1) Has the company made efforts to improve the efficiency of resources utilization and use recycled materials which have a low impact on the environment? (2) Has the company established a proper environmental management system based on the characteristics of the industry? (3) Has the company taken note of any impacts climate change has had on its operations and engaged in measuring emissions of the greenhouse gases (GHGs), establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a GHGs reduction strategy?	V V V		(1) The Company is committed to improving the efficiency of the various resources and to use recycled materials that have a low impact on the environment. The green design concept has been incorporated into the research and development of products. For instance, eco-friendly materials, as well as manufacturing processes without environmental impact, have been introduced. (2) In accordance with relevant laws and the characteristics of the products, the Company has established an environmental management system, and has updated the system in accordance with the amendments to the law. The factories of the Company have been awarded certificates, including the ISO 14001 Environmental Management Systems and the ISO 50001 Energy Management. Their operations are also subject to the ISO-14064 Greenhouse Gas Emission Regulations and the Restriction of Hazardous Substances in Electrical and Electronic Equipment (ROHS). (3) The Company pays attention to the impacts of climate change on its operations: it implements inspections on GHGs emissions, and established energy conservation, carbon	(1)~(3) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
			reduction, and greenhouse gas reduction strategies. The Company enforces it energy-saving and carbon-reducing policies in its operational activities. Relevant measures include refraining from using paper cups, exercising resources recycling and classification, switching off equipment when not in use, switching off lights during midday breaks, switching off computers after working hours, using water resources efficiently, setting up an electronic verification system, reducing the use of printed forms and documents and encouraging double-sided printing.	
3. Safeguarding public welfare (1) Has the company established its management policies and procedures in accordance with relevant laws, regulations, as well as international conventions regarding human rights? (2) Has the company established employee complaint channels as well as appropriately dealt with any such issues? (3) Has the company provided a safe and healthy work environment for employees and provided education on safety and health for employees on a regular basis? (4) Has the company established a mechanism for regular communications with the employees and keeping them informed in a reasonable manner of its operation changes that may have significant impact on them?	V V V V		(1) The Company has formulated and implements relevant management policies and procedures in accordance with relevant local laws and regulations and international human rights bills (including the UN Universal Declaration of Human Rights, the International Labor Office’s Tripartite Declaration of Principles, the OECD Guidelines for Multinational Enterprises, and the Responsible Business Alliance Code of Conduct), thus offering a comprehensive protection of employees’ legitimate rights and interests. (2) The Company has set up an employee hotline and grievance mechanism to handle complaints properly and thereby protect employees’ rights.	(1)~(9) In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
(5) Has the company established an effective career development and capability training program for its employees? (6) Has the company established consumer protection policies as well as complaint procedures with regards to R&D, procurement, production, operations and service processes? (7) In terms of the marketing and labeling of products and services, has the company followed relevant laws, regulations and international standards? (8) Before doing business with suppliers, does the company assess whether or not the suppliers have had previous records of adversely affecting the environment or society? (9) Have the company's contracts with major suppliers included a clause that states that if the suppliers violate their CSR policies, resulting in significant impacts to the environment and society, the company has the right to terminate the contracts at any time?	V V V V V		(3) The Company is committed to providing a safe and healthy work environment for employees: 1. Annual health checkups as well as one-on-one conversations between contracted doctors and employees are arranged, thus providing employees with knowledge on how to preserve and protect their own health. 2. The Company has also formulated implementation rules for industrial safety and principles for safe and healthy operations. In addition to labor safety matters irregularly discussed by the Labor Safety and Health Committee, the Company also implements safety and health trainings based in our production locations, which focus on improving employee quality and raising employees' awareness of environmental safety and health, in order to enhance environmental and occupational health and safety management. (4) The Company developed mechanisms for communication with employees (e.g., operational meetings, production and sales meetings, and meetings of the Employee Welfare Committee); relevant meetings are periodically convened to familiarize employees with the Company's operational policies and conditions. (5) To develop an effective career development plan for employees, the Company has	

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
			established comprehensive talent development programs and offers internal and external training lectures. (6) The Company has established consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service. Protecting customer rights is a consistent policy of the Company. In addition, the Company's official website not only provides product descriptions, but also its contact details. (7) The marketing and labeling of the Company's products and services always follow relevant laws, regulations, and international norms. (8) Before doing business with suppliers, the Company always assesses whether or not the suppliers have had previous records of negatively affecting the environment or society. (9) All of the Company's contracts with major suppliers include a clause that states that if the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the Company retains the right to terminate the contracts at any time.	
4. Improved Information Disclosure (1) Has the company disclosed relevant and reliable CSR information on its website as well as on the MOPS?	V		The Company explains its CSR philosophy and publishes its Corporate Social Responsibility Report on its website. The contents of the Corporate Social Responsibility Report include the structure, chief related parties and the focus issues of the	In line with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies.

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status (Note 1)</th><th rowspan="2">Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanations (Note 2)</th></tr>
<tr><td></td><td></td><td></td><td>Company’s CSR system, explaining the ways in which corporate governance is promoted and realized, advances in sustainability and social welfare maintenance.</td><td></td></tr>
<tr><td colspan="5">5. If your company has established CSR principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe differences between the principles and their implementation:
The Company has formulated the Corporate Social Responsibility Best Practice Principles. It has also established the Social Responsibility Management Handbook and other relevant regulations in line with the spirit of CSR, and comprehensively implements them in daily operations.</td></tr>
<tr><td colspan="5">6. Other key information useful for explaining the status of CSR practices:
(1) Regarding environmental protection, the Company complies with the established Environmental Management System whenever performing business activities and manufacturing products, thus sparing no effort to protect the Earth by means of energy conservation and carbon reduction.
(2) Regarding social participation, social contribution, and social services, the Company is a donor of the Lite-On Cultural Foundation, actively participates in charitable activities and deeply engages in cultivating communal culture and education to make social welfare contributions. The main objectives include promoting self-cultivation, supporting children’s growth, caring for the corporate culture, campaigning for charitable activities and nourishing innovation and talents. We devote our energy to these causes that encompass humanities, public welfare, education, and culture.
(3) Regarding social welfare, all of our employees donated one day of their salaries for the relief of the floods caused by Typhoon Morakot, thus helping victims rebuild their homes and restart their lives. We will continue to participate in social welfare activities of this nature.
(4) Regarding consumer rights, the Company participates in fair competitions in the global market on the basis of the merits of its product. All of our marketing activities and advertisements must be precise and truthful and in line with the principle of integrity and the customer-oriented approach we dearly hold as our core values.
(5) Regarding human rights, the Company strictly complies with employment regulations by prohibiting the employment children below 15; additionally, employees aged below 18 are not allowed to perform dangerous work. The Company shows its unfailing attention to employee benefits by organizing a variety of welfare activities as well as offering comprehensive employee care, which includes enrollment in the labor and national health insurances and purchasing group insurance for our employees. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees’ children. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees’ children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care</td></tr>
</table>

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	

for our employees.

(6) Regarding safety and health, the Company is committed to providing employees with a safe and healthy work environment. The protective measures for workplace safety and employees' personal safety, including those for occupational safety and health, environmental protection and fire control, are implemented in accordance with the *Regulations for Industrial Safety*. 1. Work environment monitoring (e.g., noise, illumination, and carbon dioxide) is carried out on a regular basis every six months. 2. The Safety and Health Committee is convened regularly every quarter. Issues regarding environmental safety and health in the current quarter are discussed and the implementation results of the previous quarter are followed-up and improved. 3. Noise-reducing equipment, including sound-absorbing materials and sound-insulating walls are used in noisy workplaces (e.g., air compressor room, power generator room); ear muffs, earplugs and other soundproofing equipment are also available for employees. For employees working in noisy workplaces, special checkups regarding noise-related health issues are implemented annually. 4. General safety and health training for new employees is implemented; on-the-job training for current employees is implemented every three years regarding general safety and health issues. Fire control self-defense drills are conducted every six months, and fire brigade security personnel are commissioned to guide fire control drills biennially. 5. Hazardous materials are listed, marked and recorded (storage, usage, etc.), and relevant education and training for operators and their supervisors are implemented. 6. Reports, emergency responses, post-disaster investigations and improvement follow-ups are performed for various accidents such as fire and explosion, chemical leakage, anomalous discharge of waste water, occupational injuries and natural disasters. 7. Annual equipment maintenance schedules are developed, according to which maintenance of various equipment is implemented. 8. Fire safety equipment is inspected monthly, and fire safety equipment maintenance report is issued before November. In addition, the Company provides employees with annual complimentary physical examinations to familiarize employees with their health conditions. In accordance with the requirements of relevant laws, the Company provides comprehensive physical examinations on an annual basis for employees whose duties involve specific occupational hazards to prevent occupational diseases and ensure employees' health. Threats, violence, or physical intimidation are strictly prohibited. Each employee has a copy of the Employee Handbook that contains relevant rights, obligations and the Code of Conduct for employees.

(7) Other social responsibility activities

1. We attach importance to talent development, provide employees with a happy work environment where they can learn and realize themselves, and support and encourage lifelong learning. We build and discover outstanding talents, develop employees' potentials, kindle employees' enthusiasm, maintain a platform that can retain core talents, improve the Company's overall organizational competitiveness, and thereby accomplish our vision and mission together with our employees.
2. We comply with all laws and regulations related to public disclosure of operational information. All of our periodic reports, submitted documents and public information, in oral or written form, are complete, impartial, precise, timely, accessible, and without major omissions, thus offering references for shareholders and stakeholders.

Assessment Item	Implementation Status (Note 1)			Deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations (Note 2)	
7. If the corporate social responsibility reports have received assurance from external institutions, they should state below: None. Please refer to the Company’s website for CSR report.				

Note 1: The Company shall provide explanations regardless of whether Implementation Status ticked "Yes" or "No."

Note 2: If the company has prepared the CSR report, the explanations may just indicate the way to consult such report and the corresponding index page numbering.

3.4.6 Fulfillment of Ethical Management:

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
1. Establishment of ethical corporate management policy and approaches (1) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment? (2) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? (3) Has the Company taken steps to prevent occurrences listed in all subparagraphs under Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies or business conduct that are prone to integrity risks?	V V V		(1) The Company has formulated its Principles for Ethical Corporate Management based on the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies. We also developed the Social Responsibility Management Handbook. Both the Ethical Corporate Management Best Practice Principles and the Regulations for Ethical Business Operations explain the Company's ethical business policies and implementation methods and are publicly available on the Company's website. Our Board of Directors and managers promise to actively implement these regulations in all of our business activities. (2) The Company has established the Regulations for Ethical Business Operations as a specific guidance for all employees to prevent unethical conducts. The regulations also specify the disciplinary actions and complaint methods regarding employees' violations of the regulations, which are also implemented in our internal management through education and training. (3) The Regulations for Ethical Business Operations specifies that 1. Any form of bribery or solicitation and acceptance of bribes is prohibited.	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
			2. Illegal political donations may not be offered. 3. All charitable donations or sponsorships shall comply with the laws. 4. Employees may not take the initiative or be made to collect or provide illegitimate incomes including cash, gift certificates, checks, stocks, gifts or any other valuable rebates, gifts or special treatments (including meals, travel or entertainment offers) to third parties related to business operations.	
2. Full Implementation of Ethical Management Principles (1) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? (2) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis? (3) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications? (4) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to an accountant? (5) Did the Company periodically provide internal and external training programs on integrity management?	V V V V V		(1) The Company only performs business transactions with legal, ethical customers and suppliers. Before building business relationships with counterparties, the Company will evaluate their legal status and records (if any) of unethical conduct. The Company will also specify integrity clauses in the agreements with business partners, which prohibits any offer, solicitation or acceptance of bribes. (2) The Company has established the Corporate Social Responsibility Committee, which promotes the philosophy of ethical corporate management and is supervised by the Board of Directors on an irregular basis. (3) The Company has established policies to prevent conflicts of interests, and requires directors, managers and employees to abstain and recuse from discussing or voting on matters in which interests of their own, or the legal	(1)~(5) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
			persons they represent, are involved. The Company has also established an Ethics Committee as the channel for submitting comments. (4) The Company has established effective accounting systems and internal control systems for enforcing ethical corporate management. Our internal audit personnel and accountants implement the Company's internal audit unit on an annual basis. (5) The Company periodically provides internal and external training programs on ethical corporate management.	
3. Implementation of the Company's Whistleblowing System (1) Has the Company established concrete whistleblowing and reward system, has a convenient reporting channel in place and assigns an appropriate person to communicate with the accused? (2) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanism? (3) Did the Company adopt measures for protecting the whistleblower from improper treatment or retaliation?	V V V		(1) The Company established relevant operating procedures and punishment systems in relation to the Regulations for Handling Fraud Reports, and assigns dedicated units to related affairs in accordance with the procedures specified in the regulations. (2) The Company has established an Ethic Line for internal and external stakeholders (e.g., employees, suppliers and customers) to conduct anonymous or signed reports on frauds that violate principles of integrity and ethics. Methods and channels for complaining or reporting violations of ethical principles or illegal activities in the Company’s operations or by the employees are specified as follows:	(1)~(3) In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
			Report mailbox: Report Mailbox, Chairman’s Office, P.O. Box 48, Tamsui Kanding, New Taipei City 25199 Email ethic.hotline@silitech.com Tel: +886-2-66251666 (3) The Company will protect the confidentiality of the whistleblower’s identity and the content of the report during the whistleblowing process. Personnel participating in the investigation may not divulge such information in order to prevent the whistleblower from unfair treatment and retaliation. If the investigation verifies the situation(s) specified in the report to be true, the whistleblower will receive appropriate reward(s) as an encouragement for reporting any improper conducts.	
4. Enhancing information disclosure Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (M.O.P.S.)?	V		The Company has posted the Ethical Corporate Management Best Practice Principles, Regulations for Ethical Business Operations, and Corporate Social Responsibility Report on its website, explaining the Company’s philosophy of ethical corporate management, which is completely realized in daily operations.	In line with the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies.
5. If the company has established its ethical corporate management principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/ TPEx listed Companies", please state the difference between such principles and implementation: The Company has formulated the Ethical Corporate Management Best Practice Principles, and established the Social Responsibility Management Handbook and the Regulations for Ethical Business Operations, all of which are implemented in our daily operations.				

Assessment Item	Implementation Status (Note)			Deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and Reasons
	Yes	No	Explanations	
6. Other important information to facilitate better understanding of the company’s corporate conduct and ethics compliance practices (e.g., review the company’s corporate conduct and ethics policy). The Company sends the Memorandum to Silitech’s Suppliers in written form to all suppliers the Company deals with, in which the Company explains its resolution and implementation methods for ethical corporate management, and specifies the Ethics Committee as the Company’s interactive channel for relevant operations of ethical corporate management.				

Note: The Company shall provide explanations regardless of whether Implementation Status ticked "Yes" or "No."

3.4.7 Company's Corporate Governance Principles and Related Regulations:

Please refer to "Investor- Corporate Governance" of the Company's website. http://www.silitech.com/ch/investor3-4.aspx.The relevant regulations include the "Corporate Governance Best Practice Principles", "Procedures for Handling Major Internal Information" and “Regulations for Handling Fraud Reports ".

3.4.8 Other important information:

In order to strengthen corporate governance, the Company has established the Audit Committee which consists of three independent directors and voluntarily appointed the corporate governance officer. In addition, in accordance with the formulation or amendment of the relevant laws and accommodation of the Company's business practice, the Company has formulated "Corporate Governance Best Practice Principles", "Corporate Ethics Code of Conduct", "Ethical Corporate Management Best Practice Principles" , "Corporate Social Responsibility Best Practice Principles", "Procedures for the Acquisition and Disposal of Assets", "Regulation and Procedure for Board of Directors Meetings", " Rules Governing the Election of Directors ", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and " Audit Committee Organizational Rules". The details please refer to the Company’s website.

3.4.9 Implementation Status of Internal Control System:

- **Statement of Internal Control System**

Silitech Technology Corporation
Statement of Internal Control System

Date: 2019/2/25

In 2018, the Company conducted an internal examination in accordance with its Internal Control Regulations and hereby declares as follows:

1. The Company is aware that it is the Board's and managers' responsibility to establish, implement and maintain an internal control system, and the Company has set up such a system. The purpose of the system is to ensure the effectiveness and efficiency (including profitability, performance and protection of assets) of the Company's operations, compliance with relevant laws and regulations and that its financial statements are reliable, up to date and easily accessible.
2. Internal control systems have their inherent limitations. No matter how well they are designed, an effective internal control system can only reasonably ensure achievement of the three above objectives. In addition, an internal control system's effectiveness may change as the environment and circumstances change. The internal control system of the Company features a self-monitoring mechanism. Once identified, the Company will take actions to rectify any deficiency.
3. The Company determines whether the design and implementation of its internal control system is effective by referring to the criteria stated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter the "Regulations"). The Regulations provides measures for judging the effectiveness of the internal control system. There are five components of an internal control system, as specified in the Regulations, which are broken down based on the management-control process, namely: (1) control environment, (2) risk evaluation, (3) control operation, (4) information and communication and (5) monitoring. Each of the elements in turn contains certain audit items. Refer to the Regulations for details.
4. The Company uses the above criteria to determine whether the design and implementation of its internal control system is effective.
5. After an evaluation of the Company's internal control system based on the above criteria, the Company is of the opinion that, as of December 31, 2018, its internal control system (including supervision and management of subsidiaries) is effective and therefore can reasonably ensure achievement of the above objectives, which include awareness of the degree to which operating results and goals are achieved, compliance with the law and that its financial reporting is reliable, up to date and easily accessible.
6. This statement shall become a principal part of the Company's annual report and prospectus and be made available to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
7. This statement has been approved on February 25, 2019 by the Board, with none of the 7 Directors present opposing it.

Silitech Technology Corporation

Chairman: Raymond Soong

President: James Huang

- **If CPAs are engaged to review the internal control system, their report shall be disclosed:** None.

3.4.10 In the most recent year and up to the date of publication of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

3.4.11 Material resolutions passed at the AGM and board meetings in the most recent year and up to the date of publication of the annual report:

- **AGM Material Resolutions and Implementation**

Date	Proposals	Resolution	Execution
2018.06.12	Adoption of 2017 Business Report and Financial Statements.	According to the voting result, the proposal was passed as proposed.	The resolution was adopted.
	Adoption of the Proposal for Appropriation of 2018 Earnings: No cash dividends and no stock dividends distributed.	According to the voting result, the proposal was passed as proposed.	The resolution was adopted.
	Amendment to "Rules Governing the Election of Directors".	According to the voting result, the proposal was passed as proposed.	It has been operated in accordance with the revised procedure. The procedure has been disclosed on the Company's website.
	Election of 7th Term Directors.	7th Term Directors are as follows: Directors: (1) Lite-On Technology Corporation Representative Raymond Soong (2) Lite-On Technology Corporation Representative Warren Chen (3) Lite-On Technology Corporation Representative Charlie Tseng (4) Lite-On Technology Corporation Representative King, Yung-Chou Independent Directors: (1) C.P. Chang (2) James Kuo (3) Chiu, Te-Chen The changed registration procedure has been completed.	
	Discussion of Release of Directors from Non-Competition Restrictions.	According to the voting result, the proposal was passed as proposed.	It was announced on MOPS.

- **Board Meeting Material Resolutions**

Date	Material Proposals	Resolution
2018.02.26	1. To authorize the Chairman to dispose of the land use right and factory buildings of subsidiary "Silitech Technology (Suzhou) Co., Ltd". 2. Approval for the 2017 consolidated financial statements and financial statements. 3. Approval for appropriation of 2017 Earnings. 4. To convene the 2018 shareholders' meeting.	Directors approved the proposal unanimously
2018.04.18	1. Approval for change in the Company's Chief Finance and Accounting Officer. 2. Approval for change in the Company's Spokesperson and Acting Spokesperson.	Directors approved the proposal unanimously
2018.04.24	1. Approval for the first quarter of 2018 consolidated financial statements.	Directors approved the proposal unanimously
2018.06.12	1. Election of Chairman of the 7th term Board of Directors. 2. Election of Vice Chairman of the 7th term Board of Directors. 3. Appointment of members of Audit Committee. 4. Appointment of members of Compensation Committee.	Directors approved the proposal unanimously
2018.07.26	1. Approval for the second quarter of 2018 consolidated financial statements. 2. Approval for the cancellation of treasury stock and registration of capital reduction.	Directors approved the proposal unanimously
2018.10.29	1. Approval for the third quarter of 2018 consolidated financial statements.	Directors approved the proposal unanimously
2019.02.25	1. Approval for the 2018 consolidated financial statements and financial statements. 2. Approval for appropriation of 2018 Earnings. 3. Approval for capital reduction. 4. To convene the 2018 shareholders' meeting.	Directors approved the proposal unanimously
2019.04.25	1. Approval for the first quarter of 2019 consolidated financial statements. 2. To dissolve and liquidate the Company's indirect invested 100% owned China subsidiary, Silitech Technology (Suzhou) Co., Ltd. 3. Appointment of Corporate Governance Officer. 4. To convene the 2018 shareholders' meeting. (additional items)	Directors approved the proposal unanimously

3.4.12 In the most recent year and up to the date of publication of the annual report, directors held different opinions (on record or with written statement) about important resolutions passed at Board meetings and the major contents are: None.

3.4.13 In the most recent year and up to the date of publication of the annual report, any of Chairman, President, Chief Accounting Officer, Chief Finance Officer, Chief Internal Auditor and R&D Head resigned or was discharged:

Title	Name	Date of Appointment	Date of Dismissal	Reason for Resignation or Dismissal
CFO (Chief Finance and Accounting Officer)	Anita Huang	2003.06.01	2018.04.18	Internal position adjustment

3.4.14 Below is information from 2018 regarding directors' and managers' participation in advanced training courses, as well as licenses held by personnel involved in transparency of financial information:

- **Advanced Training Courses for Directors**

Title	Name	Date	Organizer	Course Title	Hours	Total Hours
Chairman	Raymond Soong	2018/04/27	Taiwan Corporate Governance Association	Trends and Analysis of Recent Changes to the Company Act	3	12
		2018/08/10	Taiwan Corporate Governance Association	Legal Effects and Precedents of Director's Fiduciary Duties and Business Judgment Principles	3	
		2018/10/30	Taiwan Corporate Governance Association	Recent Amendments to the Company Act and Director Responsibilities	3	
		2018/12/05	Taiwan Corporate Governance Association	Board of Directors Performance Evaluation	3	
Vice Chairman	Warren Chen	2018/04/27	Taiwan Corporate Governance Association	Trends and Analysis of Recent Changes to the Company Act	3	12
		2018/08/10	Taiwan Corporate Governance Association	Legal Effects and Precedents of Director's Fiduciary Duties and Business Judgment Principles	3	
		2018/10/30	Taiwan Corporate Governance Association	Recent Amendments to the Company Act and Director Responsibilities	3	
		2018/12/05	Taiwan Corporate	Board of Directors Performance	3	

			Governance Association	Evaluation		
Director	Charlie Tseng	2018/11/21	Taiwan Academy of Banking and Finance	Corporate Governance Lectures: Key Issues of Shareholders' Meeting and Equity Management	3	6
		2018/11/28	Accounting Research and Development Foundation	Tracking the "Cash Flow" in a Financial Report Scandal: Discussion of Relevant Legal Liability Cases	3	
Director	King, Yung-Chou	2018/01/19	Taiwan Academy of Banking and Finance	Corporate Governance Classic Forums	3	6
		2018/11/16	Taiwan Corporate Governance Association	Essential Brand Intellectual Property Strategies for Directors/Supervisors	3	
Independent Director	C.P. Chang	2018/03/26	Taiwan Corporate Governance Association	The Impact of General Data Protection Regulation (GDPR) on Taiwanese Enterprises and Response	1.5	6
		2018/05/15	Taiwan Corporate Governance Association	New Corporate Governance Blueprint (2018-2020): The Plan and the Major Reforms	1.5	
		2018/08/14	Taiwan Corporate Governance Association	Introduction to Major Issues in Amendments to the Company Act	1.5	
		2018/11/12	Taiwan Corporate Governance Association	Summary of Amendments to Personal Income Tax Regulations in Mainland China	1.5	
Independent Director	James Kuo	2018/01/26	Taiwan Corporate Governance Association	Key Messages in Annual Reports and Responsibility Analysis: Directors/Supervisors' Perspectives	3	39
		2018/04/20	Taiwan Corporate Governance Association	Development Trends and Important Regulations of AML/CFT	3	
		2018/04/27	Taiwan Corporate Governance Association	Corporate Internal Fraud Control and Establishment of Whistleblower System	3	
		2018/05/04	Taiwan Corporate Governance Association	Operation of Audit Committee	3	
		2018/05/08	Taiwan Stock Exchange Corporation	Summit for New Corporate Governance Blueprints of Listed Companies	3	
		2018/05/11	Taiwan Corporate	Case Analysis of Major Corporate "Economic Crimes" and Relevant	3	

			Governance Association	Legal Liabilities		
		2018/05/15	Securities and Futures	Analysis of Business Merger Scandal from the Perspective of Corporate Governance: An Advanced Practical Seminar for Directors/Supervisors (Incl. Independent Supervisors)	3	
		2018/05/15	Securities and Futures	Legal Risks and Response of Directors/Supervisors in the Examples of Major Business Scandals: An Advanced Practical Seminar for Directors/Supervisors (Incl. Independent Supervisors)	3	
		2018/06/22	Taiwan Corporate Governance Association	The Driving Force Behind Corporate Governance: The Practice of Business Secretary	3	
		2018/06/26	Taiwan Corporate Governance Association	Things Directors/Supervisors Should Do to Supervise Fraud Surveillance and Prevention, Whistleblower System Establishment, and Corporate Governance	3	
		2018/08/03	Dharma Drum Mountain Humanities and Social Improvement Foundation	Leading an Enterprise towards Value Innovation and Sustainability	3	
		2018/08/17	Taiwan Corporate Governance Association	The Last Ditch of Corporate Governance: Directors/Supervisors Liability Insurance	3	
		2018/09/21	Dharma Drum Mountain Humanities and Social Improvement Foundation	Corporate Value Innovation in the Millennium as an Age of Change	3	
Independent Director	Chiu, Te-Chen	2018/08/10	Taiwan Corporate Governance Association	Corporate Regulatory Compliance and the Supervisory Duties of Directors	3	6
		2018/09/26	Taiwan Stock Exchange Corporation	ESG Investment Forum: SinoPac Securities	3	

- **Advanced Training Courses for Managers**

Manager	Name	Course name	Hours
CFO (Chief Finance and Accounting Officer)	Sarah Cheng	Accounting/Audit/Finance/Corporate Governance/ Professional ethics and legal responsibility	12

- **Certificates Held by Personnel Involved in Transparency of Financial Information**

Certification	Number of Employees	
	Finance	Internal Audit
CPA of the ROC	1	
Certified Internal Auditor (CIA)	1	2
Certified Financial Service Auditor (CFSA)		1
BS 7799/ISO 27001 Information Security Management Systems Lead Auditor		1
Senior Securities Specialist	2	2
Securities Specialist	1	
Securities Investment Trust and Consulting Professionals	1	
Property Insurance Representative	2	
Bookkeeper	2	

3.5 Information on CPAs' Fees

3.5.1 The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for less 1/4 to audit fee, the content and fee as below:

Unit: NT$ thousands

Accountant Firm	Name of CPA	Audit Fee	Non-audit Fee					CPA Audit Period	Remarks
			System Design	Business Registrations	Human Resources	Others (Note 2)	Sub-total		
Deloitte & Touche	Yung-Hsiang Chao Jr-Shian Ke	4,520	0	0	0	415	415	2018.1.1~ 2018.12.31	Transfer pricing report, annual report review etc. : NT$ 415 thousand

Note 1: If a change of accountant firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee in chronological order. Please also state the reason for such changes in the remarks column.

Note 2: State non-audit fees by service items respectively. If the "others" of the non-audit fees is more than 25% of the total non-audit fee, please state the service contents in the remarks column.

3.5.2 Change of CPA firm and the audit fee paid in the year of the change is less than those paid in the previous year: None.

3.5.3 If audit fee is reduced by at least 15% from the previous year, the amount, percentage and reason for reduction must be disclosed: None.

3.6 Information on the Replacement of CPAs

If the Company has changed the CPAs during the last two years, the following matters shall be disclosed:

3.6.1 About the previous CPAs:

<table>
<tr><td>Date of Change</td><td colspan="5">Approved by Board of Directors on October 26, 2017</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="5">The CPAs are changed from Cheng-Tsai Tsai and Yung-Hsiang Chao to Yung-Hsiang Chao and Jr-Shian Ke due to the internal adjustment from Deloitte Touche Tohmatsu Limited</td></tr>
<tr><td rowspan="3">State Whether the Appointment Is Terminated or Rejected by the Consignor or CPAs</td><td colspan="3">Party
Situation</td><td>Accountants</td><td>Consignor</td></tr>
<tr><td colspan="3">Appointment terminated automatically</td><td colspan="2" rowspan="2">Not applicable.</td></tr>
<tr><td colspan="3">Appointment rejected (discontinued)</td></tr>
<tr><td>The Opinions Other than Unmodified Opinion Issued in the Last Two Years and the Reasons for the Said Opinions</td><td colspan="5">None</td></tr>
<tr><td rowspan="7">Is There Any Disagreement in Opinion with the Issuer</td><td rowspan="5">Yes</td><td></td><td colspan="3">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="3">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="3">Auditing scope or procedures</td></tr>
<tr><td></td><td colspan="3">Other</td></tr>
<tr><td></td><td colspan="3"></td></tr>
<tr><td>None</td><td colspan="4">V</td></tr>
<tr><td colspan="5">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Disclosures Specified in Article 10.6.1.4~7 of the Standards)</td><td colspan="5">None</td></tr>
</table>

3.6.2 About the Succeeding CPAs: Not applicable.

3.6.3 The Reply of Former CPAs on Article 10.6.1 and Article 10.6.2.3 of the Standards: Not applicable.

3.7 Where the Company's Chairman, President, Financial or Accounting Head Has Worked for Its Certified Public Accountant Firm or Its Affiliate Business in the Past Year: None.

3.8 Any Transfer and Pledge of Shares of the Directors, Managers and Shareholders Holding More Than 10% of the Company's Shares

3.8.1 Net Change in Shares Held

Unit: shares

Title	Name	2018		As of Closure Date April 14, 2019	
		Increase (decrease) of shares held	Increase (decrease) of shares pledged	Increase (decrease) of shares held	Increase (decrease) of shares pledged
Director/Major Shareholder	Lite-On Technology Corporation	0	0	0	0
Director representative	Raymond Soong	0	0	0	0
Director representative	Warren Chen	0	0	0	0
Director representative	Danny Liao (Resigned on 2018/6/12)	0	0	0	0
Director representative	Charlie Tseng	0	0	0	0
Director representative	SY Wu (Resigned on 2018/6/12)	0	0	0	0
Director representative	Cherng Chao (Resigned on 2018/6/12)	0	0	0	0
Director representative	Jimmy Lin (Resigned on 2018/6/12)	0	0	0	0
Director representative	King, Yung-Chou	0	0	0	0
Independent Director	C.P. Chang	0	0	0	0
Independent Director	James Kuo	0	0	0	0
Independent Director	Chiu, Te-Chen	0	0	0	0
President	James Huang	0	0	0	0
Assistant Vice President	Kevin Yeh (Appointed on 2018/11/1)	0	0	0	0
Assistant Vice President	Kevin You (Resigned on 2018/7/2)	0	0	0	0
CFO (Chief Finance and Accounting Officer)	Sarah Cheng (Appointed on 2018/4/18)	0	0	0	0
CFO (Chief Finance and Accounting Officer) / Assistant Vice President	Anita Huang (Resigned on 2018/4/18 and Leave on 2018/6/30)	0	0	0	0

Note 1: Shareholders holding more than 10% of the company's shares should be identified as major shareholders and presented respectively.

Note 2: The counterparty of the shares transferred or shares pledged is the related person, and the following form should be filled out.

3.8.2 Shares Transferred

Name (Note 1)	Reason for Shares Transferred (Note 2)	Transaction Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors and Shareholders Holding More Than 10% of All Shares	Number of Shares	Transaction Price
None	None	None	None	None	0	None

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.

Note 2: Fill in acquisition or disposal.

3.8.3 Shares Pledged

Name (Note 1)	Reason for Shares Pledged (Note 2)	Change Date	Transaction Counterparty	Relationship between Counterparty and the Company, Directors, Supervisors and Shareholders Holding More Than 10% of All Shares	Number of Shares	Shareholding Ratio	Pledge ratio	Pledge (Redemption) Amount
None	None	None	None	None	0	0%	0%	0

Note 1: Fill in the name of the Company's directors, supervisors, managers and shareholders holding more than 10% of all shares.

Note 2: Fill in pledge or redemption.

3.9 Information on Relationships amongst the Top Ten Shareholders and Their Relationships with Spouses or Relatives within the Second Degree of Kinship

2019/4/14

Name (Note 1)	Shareholding by Self		Shareholding by Spouse and Underage Children		Shareholding under the Title of a Third Party		Name and Relationships of Related Parties to Top ten Shareholders (Spouse and Relatives within the Second Degree (Note 3)		Remarks
	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Quantity of shares	Proportion of shareholding	Title (or name)	Relation	
Lite-On Technology Corporation	60,757,310	33.87%	0	0%	0	0%	Lite-On Capital Corporation	Parent Company and Subsidiary	None
							Raymond Soong	Chairman	None
							Warren Chen	Vice Chairman	None
Lite-On Technology Corporation Representative Raymond Soong	1	0%	0	0%	0	0%	Lite-On Technology Corporation	Chairman	None
							Soong, Hui-Ling	First Degree of kinship	None
Lite-On Technology Corporation Representative Warren Chen	1	0%	0	0%	0	0%	Lite-On Technology Corporation	Vice Chairman	None
Lite-On Technology Corporation Representative Charlie Tseng	0	0%	0	0%	0	0%	Lite-On Technology Corporation	Business Group CEO	None
Lite-On Technology Corporation Representative King, Yung-Chou	0	0%	0	0%	0	0%	None	None	None
Soong, Hui-Ling	2,151,000	1.20%	0	0%	0	0%	Raymond Soong	First Degree of kinship	None
Chen, Jin-Tai	2,071,000	1.15%	0	0%	0	0%	None	None	None
Citibank Taiwan in Custody for Norges Bank Investment Management	1,521,897	0.85%	0	0%	0	0%	None	None	None
Citibank Taiwan in Custody for DFA Emerging Markets Core Equity Portfolio Fund	1,224,116	0.68%	0	0%	0	0%	None	None	None
Lite-On Capital Corporation	1,152,676	0.64%	0	0%	0	0%	Lite-On Technology Corporation	Parent Company and Subsidiary	None
							Raymond Soong	Chairman	None
Lite-On Capital Corporation Representative Raymond Soong	1	0%	0	0%	0	0%	Soong, Hui-Ling	First Degree of kinship	None
Citibank Taiwan in Custody for DFA Emerging Markets Small Cap Fund	994,774	0.55%	0	0%	0	0%	None	None	None
Wang, Xue-Ren	880,000	0.49%	0	0%	0	0%	None	None	None
Citibank Taiwan in Custody for Dimensional Emerging Markets Value Fund	824,803	0.46%	0	0%	0	0%	None	None	None
Zhan, De-Chang	712,000	0.40%	0	0%	0	0%	None	None	None

Note 1: All the Top 10 shareholders shall be listed. For institutional shareholders, the names of the institutional shareholder and its representative shall be listed respectively.

Note 2: The shareholding proportion is calculated respectively for the shares in one's own name, the spouse's name, underage children's name, or a third party's name.

Note 3: Shareholders indicated in the foregoing include juristic persons and natural persons. Their correlation shall be disclosed in accordance with the requirements of the Financial Report Compilation Guidelines.

3.10 The Total Number of Shares of the Same Investee Held by the Company, Its Directors, Managers and Which the Company Controls Directly or Indirectly, with the Aggregate Shareholding Percentages

As of December 31, 2018

Units: Shares; %

Re-Investment Companies（Note）	Investment by the Company		Investment of directors, supervisors, managers or enterprises under their direct or indirect control		Combined Investment	
	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding	Quantity of Shares	Proportion of Shareholding
Silitech (BVI) Holding Ltd.	95,181,926	100.00	–	–	95,181,926	100.00
Lite-On Japan Ltd.	980,300	7.87	6,161,700	49.49	7,142,000	57.36

Note: Investments accounted for using the equity method.

Fundraising Overview

4.1 Capital and Shares

4.1.1 Sources of Share Capital

◆ Historical Sources of Share Capital

Unit: NT$ thousand; thousand shares

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
2001.10	10	100	1,000	100	1,000	Issuing capital	–	Note 1
2001.12	10	30,000	300,000	30,000	300,000	Capital increase 299,000 by cash	–	Note 2
2002.07	10	15,000	150,000	15,000	150,000	Capital reduction 150,000	–	Note 3
2002.10	10	80,000	800,000	45,000	450,000	Demerger capital increase 300,000	300,000	Note 4
2003.06	10	80,000	800,000	78,060	780,600	Capital increase 105,600 by earnings (Including capital increase by employee bonus of 11,100) Capital increase 225,000 by capital surplus	–	Note 5
2004.08	10	120,000	1,200,000	91,147	911,465	Capital increase 130,865 by earnings (Including capital increase by employee bonus of 13,775)	–	Note 6
2005.08	10	120,000	1,200,000	113,558	1,135,578	Capital increase 224,113 by earnings (Including capital increase by employee bonus of 41,820)	–	Note 7
2006.09	10	300,000	3,000,000	134,830	1,348,300	Capital increase 212,722 by earnings (Including capital	–	Note 8

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						increase by employee bonus of 33,300)		
2007.09	10	300,000	3,000,000	150,730	1,507,302	Capital increase 159,002 by earnings (Including capital increase by employee bonus of 33,610)	–	Note 9
2008.08	10	300,000	3,000,000	171,377	1,713,770	Capital increase 206,468 by earnings (Including capital increase by employee bonus of 43,680)	–	Note 10
2009.09	10	300,000	3,000,000	175,944	1,759,438	Capital increase 45,668 by earnings (Including capital increase by employee bonus of 28,730)	–	Note 11
2010.08	10	300,000	3,000,000	179,223	1,792,226	Capital increase 32,788 by earnings (Including capital increase by bonus of 15,394)	–	Note 12
2011.08	10	300,000	3,000,000	182,955	1,829,553	Capital increase 37,327 by earnings (Including capital increase by employee bonus of 19,605)	–	Note 13
2011.12	10	300,000	3,000,000	180,955	1,809,553	Capital reduction and cancellation of 20,000	–	Note 14
2012.08	10	300,000	3,000,000	184,564	1,845,643	Capital increase 36,090 by earnings	–	Note 15

Year. Month	Issue Price (NT$)	Authorized Capital Stock		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Property Other than Cash Offset by the Number of Shares	Note
						(Including capital increase by employee bonus of 17,994)		
2013.08	10	300,000	3,000,000	187,706	1,877,057	Capital increase 31,414 by earnings (Including capital increase by employee bonus of 12,958)	–	Note 16
2014.08	10	300,000	3,000,000	189,384	1,893,838	Capital increase 16,781 by earnings (Including capital increase by employee bonus of 3,641)	–	Note 17
2018.08	10	300,000	3,000,000	179,384	1,793,838	Capital reduction and cancellation of 100,000	–	Note 18

Note 1: Approval date and document No.: 2001.10.26 Jin (090) Son No. 90121318
Note 2: Approval date and document No.: 2001.12.31 Jin (090) Son No. 09001521970
Note 3: Approval date and document No.: 2002.07.22 Jin So Son Tzi No. 09101284750
Note 4: Approval date and document No.: 2002.10.29 Jin So Son Tzi No. 09101427660
Note 5: Approval date and document No.: 2003.06.24 Jin So Son Tzi No. 09201197310
Note 6: Approval date and document No.: 2004.08.16 Jin So Son Tzi No. 09301154730
Note 7: Approval date and document No.: 2005.08.12 Jin So Son Tzi No. 09401155260
Note 8: Approval date and document No.: 2006.09.06 Jin So Son Tzi No. 09501200670
Note 9: Approval date and document No.: 2007.09.05 Jin So Son Tzi No. 09601219870
Note 10: Approval date and document No.: 2008.08.22 Jin So Son Tzi No. 09701212800
Note 11: Approval date and document No.: 2009.09.07 Jin So Son Tzi No. 09801204090
Note 12: Approval date and document No.: 2010.08.20 Jin So Son Tzi No. 09901190900
Note 13: Approval date and document No.: 2011.08.24 Jin So Son Tzi No. 10001196060
Note 14: Approval date and document No.: 2011.12.16 Jin So Son Tzi No. 10001281880
Note 15: Approval date and document No.: 2012.08.27 Jin So Son Tzi No. 10101174340
Note 16: Approval date and document No.: 2013.08.26 Jin So Son Tzi No. 10201174340
Note 17: Approval date and document No.: 2014.08.15 Jin So Son Tzi No. 10301170630
Note 18: Approval date and document No.: 2018.08.13 Jin So Son Tzi No. 10701099500

- **Types of Shares**

Type of share	Authorized Capital			Remarks
	Circulating shares Issued and Outstanding (Publicly-traded Shares)	Unissued Shares	Total	
Common stock	179,383,816	120,616,184	300,000,000	None

- **Information on Shelf Registration:** None.

4.1.2 Shareholder Structure

2019/4/14

Shareholder Structure / Quantity	Government Agency	Financial Institution	Other Institutional Entities	Individual	Foreign Institution and Foreigner	Total
No. of persons	0	0	212	34,636	48	34,896
Quantity of shares	0	0	63,836,249	109,923,453	5,624,114	179,383,816
Proportion of shareholding	0%	0%	35.59%	61.28%	3.13%	100%
Proportion of shares held by investors in China: 0%.						

Note: A primary exchange (or OTC) listed company or emerging stock company shall disclose the ratio of shares held by investors of mainland China；According to Article 3 of the Regulations Governing Investment Permit to the People of Mainland China, investors of mainland China shall refer to people, juridical persons, organizations or other institutions of mainland China or their invested companies in the third area.

4.1.3 Distribution of Shareholders

- **Distribution of Common Shares**

2019/4/14

Shareholding	Number of Shareholders	Quantity of Shares	Proportion of Shareholding
1 to 999	20,712	567,653	0.31%
1,000 to 5,000	10,098	20,892,005	11.65%
5,001 to 10,000	2,035	14,615,213	8.15%
10,001 to 15,000	748	8,894,585	4.96%
15,001 to 20,000	349	6,300,759	3.51%
20,001 to 30,000	358	8,837,808	4.93%
30,001 to 50,000	282	10,966,904	6.11%
50,001 to 100,000	190	13,358,526	7.45%
100,001 to 200,000	74	10,181,633	5.68%
200,001 to 400,000	33	9,191,104	5.12%
400,001 to 600,000	7	3,288,050	1.83%
600,001 to 800,000	1	712,000	0.40%
800,001 to 1,000,000	3	2,699,577	1.50%
1,000,001 and more	6	68,877,999	38.40%
Total	34,896	179,383,816	100%

- **Distribution of Preferred Shares:** None.

4.1.4 List of Major Shareholders

2019/4/14

Shares / Major Shareholders	Quantity of Shares	Proportion of Shareholding
Lite-On Technology Corporation	60,757,310	33.87%
Soong, Hui-Ling	2,151,000	1.20%
Chen, Jin-Tai	2,071,000	1.15%
Citibank Taiwan in Custody for Norges Bank Investment Management	1,521,897	0.85%
Citibank Taiwan in Custody for DFA Emerging Markets Core Equity Portfolio Fund	1,224,116	0.68%
Lite-On Capital Corporation	1,152,676	0.64%
Citibank Taiwan in Custody for DFA Emerging Markets Small Cap Fund	994,774	0.55%
Wang, Xue-Ren	880,000	0.49%
Citibank Taiwan in Custody for Dimensional Emerging Markets Value Fund	824,803	0.46%
Zhan, De-Chang	712,000	0.40%

4.1.5 Stock Price, Net Value, Earnings, Dividends and Related Information for the Most Recent 2 Years

<table>
<tr><th colspan="3">Item / Year</th><th>2017</th><th>2018</th><th>2019/01/01-2019/04/30 (Note 8)</th></tr>
<tr><td rowspan="3">Market Price per Share (Note 1)</td><td colspan="2">Highest Market Price</td><td>23.20</td><td>19.80</td><td>16.60</td></tr>
<tr><td colspan="2">Lowest Market Price</td><td>14.80</td><td>10.75</td><td>11.95</td></tr>
<tr><td colspan="2">Average Market Price</td><td>17.95</td><td>15.43</td><td>15.40</td></tr>
<tr><td rowspan="2">Net Worth per Share (Note 2)</td><td colspan="2">Before Distribution</td><td>21.20</td><td>20.98</td><td>21.09(Note 8)</td></tr>
<tr><td colspan="2">After Distribution</td><td>21.20</td><td>(Note 9)</td><td>NA</td></tr>
<tr><td rowspan="3">Earnings per Share</td><td colspan="2">Weighted Average Shares (thousand shares)</td><td>179,384</td><td>179,384</td><td>179,384</td></tr>
<tr><td rowspan="2">Earnings per Share (Note 3)</td><td>Before Adjustment</td><td>(0.46)</td><td>(0.19)</td><td>(0.05)(Note 8)</td></tr>
<tr><td>After Adjustment</td><td>(0.46)</td><td>(0.19) (Note 9)</td><td>NA</td></tr>
<tr><td rowspan="4">Dividends per Share</td><td colspan="2">Cash Dividends</td><td>0</td><td>0(Note 9)</td><td>NA</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Stock Dividends Appropriated from Retained Earnings</td><td>0</td><td>0</td><td>NA</td></tr>
<tr><td>Stock Dividends Appropriated from Capital Reserve</td><td>0</td><td>0</td><td>NA</td></tr>
<tr><td colspan="2">Accumulated Unappropriated Dividends (Note 4)</td><td>0</td><td>0</td><td>NA</td></tr>
<tr><td rowspan="3">Investment Return Analyses</td><td colspan="2">P/E Ratio (Note 5)</td><td>NA</td><td>NA</td><td>NA</td></tr>
<tr><td colspan="2">Price-dividend Ratio (Note 6)</td><td>NA</td><td>NA(Note 9)</td><td>NA</td></tr>
<tr><td colspan="2">Cash Dividend Yield (Note 7)</td><td>0%</td><td>0%(Note 9)</td><td>NA</td></tr>
</table>

*If shares are distributed in connection with a capital increase out of earnings or capital surplus, information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution shall be disclosed.

Note 1: The highest and lowest share prices for each ear are provided, with the average price for the year computed based on each year’s transaction amount and volume.

Note 2: Use the number of the outstanding issued shares at year’s end and the distribution passed at the following year’s shareholders' meeting to fill in.

Note 3: If it is necessary to make adjustments retroactively due to situations such as issuance of bonus shares, the earnings per share before and after the adjustments should be listed.

Note 4: If the conditions of the equity issuance require that dividends not yet distributed for the year be accumulated and paid out in a later year with positive earnings, the dividends that have been accumulated up to the current year and not yet distributed shall be disclosed respectively.

Note 5: Price-earnings ratio = Average per share closing price for the year / earnings per share.

Note 6: Price-dividend ratio = Average per share closing price for the year / cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share / average per share closing price for the year.

Note 8: The net value per share and earnings per share should be filled in with the information of the Independent Auditors’ (Review) Report in the most recent quarter of the annual report. The remaining fields should be filled in the year of the date of publication of the annual report.

Note 9: The appropriation of 2018 earnings will be approved with resolution by 2019 shareholders' meeting.

4.1.6 Dividend Policy and Implementation Status

- **Dividend Policy**

1. If there is profit upon the final settlement of account of each fiscal year, the Company shall first, apart from paying all taxes as required by the law, offset any previous accumulated losses and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside special reserve shall be provided or reversed in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings, apart from retained earnings allocated in part from the necessary capital for the Company, shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

   The Dividend Policy of the Company is in consideration of business development plan, investing environment, global competiveness and the shareholders' interest. The cash dividend shall be no less than 10% of the total distributed dividends.

2. In order to comply with regulations from competent authorities and established specific dividend distribution policies to improve the Company's disclosure of corporate governance information, the Company's Board of Directors propose amendment to "Articles of Incorporation" on February 25, 2019, and pending on the approval of the 2019 AGM. The dividend policy in new Articles of Incorporation is stated as below:

   If there is net profit after tax upon the final settlement of account of each fiscal year, the Company shall first offset any previous accumulated losses (including unappropriated earnings adjustment if any) and set aside a legal reserve at 10% of the net profits, unless the accumulated legal reserve is equal to the total capital of the Company; then set aside special reserve shall be provided or reversed in accordance with relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustment of unappropriated earnings if any) , apart from retained earnings allocated in part from the necessary capital for the Company's future developments, shall be distributed into dividends to shareholders according to the distribution plan proposed by the Board of Directors and submitted to the shareholders' meeting for approval.

   The Dividend Policy of the Company is in consideration of business development plan, investing environment, global competiveness and the shareholders' interest. The Dividend Policy of the Company is the distribution to shareholders with the appropriation of the amount which shall be no less than 70% of the net profit after income tax under the circumstance that there is no cumulated loss in prior years. The distribution may be executed in cash dividend and/or share dividend, and the cash dividend shall be no less than 90% of the total distributed dividends.

   In case there are no earnings for distribution in a certain year, or the earnings of a certain year are significantly less than the earnings actually distributed by the Company in the previous year, or considering the financial, business or operational factors of the Company, the Company may allocate a portion or all of its reserves for distribution in accordance with relevant laws or regulations or the orders of the authorities in charge.

The Company may distribute profits or compensate losses after the end of each quarter in accordance with the Company Act. In distributing earnings, payable taxes shall be estimated and allocated, while losses shall be compensated and the legal reserve deducted in accordance with the law, unless the accumulated legal reserve is equal to the Company’s paid-in capital.

Cash distribution of the Company’s earnings shall only be performed with approval from the Board of Directors meeting. Distribution of the aforementioned earnings in the form of new shares shall follow the resolutions of the shareholders' meeting in accordance with regulations.

- **Dividends Distribution to be Proposed to the Shareholders’ Meeting**

Total distributable earnings for the year amounted to NT$352,830,145. Due to the net loss for 2018, the Company’s Board of Directors on February 25, 2019 resolved no cash dividends and no stock dividends distributed to shareholders. The aforementioned appropriation of 2018 earnings will be approved with resolution by 2019 shareholders' meeting.

4.1.7 Impact of issuance of stock dividends proposed in this shareholders’ meeting upon the Company’s business performance and earning per share (EPS)

No cash dividends and no stock dividends were proposed in the 2019 shareholders’ meeting of the Company. Therefore it is not applicable.

4.1.8 Compensation for Employees and Directors

- **The Company's Articles of Incorporation includes the amount and coverage of compensation for employees and directors**

The Company shall allocate the following compensation from the profit (before tax) of each fiscal year; however, the Company shall have reserved a sufficient amount from such profit to offset its accumulated losses:

1. Employees’ (including employees of the company and its subsidiaries) compensation: No less than 10%: will be distributed by shares or cash.
2. Directors’ compensation: No more than 5%: only be distributed by cash.

The Company shall, upon a resolution of the Board of Directors, distribute employees’ and directors’ compensation in the preceding two paragraphs, and report to the shareholders’ meeting for such distribution.

- **Basis for estimates of compensations for employees and directors this term, basis for calculating employee stock compensation and accounting procedures for when there is a discrepancy between the estimated and actual amount:**

1. Due to the loss before Tax for 2018, there is no compensation distributed to employees and directors.
2. If there is profit before tax, the procedures are as follows:

- Basis for estimates of compensations distributed for employees and directors is based on past experience and consideration of the current operating conditions, and estimates based on the amount that may be issued.
- Basis for calculating employee stock compensation is based on the closing price of previous day of BOD. The compensation to employee calculating less 1 share shall be distributed by cash dividends.
- The accounting procedures for when there is a discrepancy between the estimated and actual amount
  If the actual distribution amount is significantly changed by the resolution of the BOD before announcement date of the annual financial report, the original allocation annual cost shall be adjusted. If it is changed after announcement date of the annual financial report, it shall be adjusted to record next year according to the accounting estimate.

◆ **Information regarding board of directors' approval of compensation**

1. Due to the loss before Tax for 2018, the Company’s Board of Directors on February 25, 2019 resolved no compensation distributed to employees and directors, and pending to report on the 2019 AGM. There is no difference between the aforementioned amount and the estimation recognized in the 2018 financial statements.
2. The amount of employee compensation in the form of stock and its percentage of the Company's after-tax income (as reported in the financial statement of this term) and total employee compensation: No employee compensation for this term. It is not applicable.

◆ **The actual distribution of employee and director compensation for 2017**

Unit: NT$

	Actual Amount	Estimated Amount	Difference
Compensation to Employee - Stock Dividends	0	0	None
Compensation to Employee - Cash Dividends	0	0	None
Compensation to Directors	0	0	None

4.1.9 The Execution Status of Shares Buyback

Buyback times	Second
Purpose of the shares buyback	Transfer shares to employees
Buyback period	2015/05/25 ~ 2015/07/21
Buyback price interval	NTD 16.10 ~ NTD 35.45
Type and number of buyback shares	Common stock / 10,000,000 shares
Total amount for buyback shares	NTD 234,654,579
Cancellation and transfer of buyback shares (Note)	Cancellation of 10,000,000 shares
Cumulative holding of the number of buyback shares	0 share
Cumulative holding of the number of buyback shares as a percentage of total issued shares	0%

Note: The cancellation registration procedure of 10,000,000 shares was approved by the Department of Commerce, MOEA on August 13, 2018. The total number of shares issued after the change was 179,383,816 shares.

4.2 Issuance of Corporate Bonds: None.

4.3 Issuance of Preferred Shares: None.

4.4 Issuance of Global Depositary Receipts: None.

4.5 Status of Employee Stock Option Plan or Restricted Stock: None.

4.6 Status of New Share Issuance in Connection with Mergers and Acquisitions:

None.

4.7 Financing Plans and Implementation: Not Applicable.

Operational Highlights

5.1 Business Activity

5.1.1 Scope of Business

- **Major Lines of Business and Relative Weight**

Unit: NT$ thousands

	Major Lines of Business	Year 2017		Year 2018	
		Revenue	Weight	Revenue	Weight
Mechanical Components & Exterior Optical Modules	Design, manufacture and sales of exterior optical components and input devices for automobiles, 3C, Netcom, etc.	2,285,054	100%	2,251,044	100%

- **Current Products (Services)**

Major Products	Current Products
Exterior Decoration Mechanical Components & Input Device Products	3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices
Module Products	3C, automotive, smart lock and other modular products, combined with keypads, flexible or rigid circuit boards, backlights (such as LED) and IC circuits and other integrated products

- **New Products (Services) Planned for Development**

1. Development and functional update of exterior optical components.
2. Development of new materials which applied to the exterior mechanical components.
3. Development of environmentally friendly & non-toxic materials.
4. Development of precise molds and fixtures.
5. Development of glass materials application.
6. Development of various composite films.

5.1.2 Overview of Industry

- **Current Status and Development of the Industry**

Silitech applies our specialized core technologies and techniques to the integration of rubber, plastic and optical components within two main production and product categories: Mechanical Integration and Automotive Components, and also provides customized design and manufacturing services. The products include 3C industry, automobile central control mechanical parts and interior glass, Netcom, wearable optical exterior mechanical components and input devices. The following is a brief description of the global 3C, automotive and smart home markets.

1. 3C Market Overview
   Global 3C device shipments from 2017 to 2020

Unit: million units

Device Type	2017	2018	2019	2020
Traditional personal computer (desktop + notebook)	204	195	189	181
Ultramobile (top level model)	58	65	74	80
Total PC	**263**	**260**	**263**	**262**
Ultramobile (flat and flip type)	158	155	152	151
Mobile phone	1,841	1,867	1,888	1,901
Total	**2,262**	**2,282**	**2,303**	**2,314**

Source: Gartner (2018/July)

According to Gartner market research, due to the corporate purchase of the top-level Ultramobile products, the global shipments for 3C devices will grow slightly in 2018, up 0.9% from 2017 to 2.28 billion units.

Gartner estimates that mobile phone shipments in 2019 will increase by 1.4% to nearly 1.9 billion units.

In terms of smart phone brand rankings, Samsung sold 292 million in 2018, with a market share of 20.8%, ranking first, Apple ranked second with 14.9%, and third to fifth were 14.7% for Huawei, 8.7% for Xiaomi and 8.1% for OPPO, with a total share of 67.2%.

Due to the small short-term changes in technical specifications, the life cycle of mobile phones will be extended before 2020. The speed of replacement will be slow until Mobile phone applications in 5G, foldable appearance, artificial intelligence (AI), machine learning and biometrics, etc. are more mature, and it is estimated that the speed of replacement will be accelerated after 2020. In addition, Gartner predicts that shipments of wearable devices will reach 225 million units in 2019 with an annual increase of 25.8%, and the estimated amount will reach US$42 billion, including $16.2 billion for smart watches with 74 million shipments. By 2022, it will grow to 115 million units.

2. Automotive Market Overview

In 2018, the global market demand was weak and the United States launched a global trade war, which triggered changes in the automotive industry market. Major global automobile markets such as China, Europe, and North America have low growth and even negative growth.

To analyze individual market, according to the China Association of Automobile Manufacturers (CAAM) data, in 2018, the sales volume of automobiles in China fell to 28.1 million units, down 2.8% year-on-year. It is still the largest single country market, accounting for nearly 30% of global sales. The US auto market sold 17.3 million units, accounting for about 20% of global sales. Car sales in the European market also fell by 0.04%, the first decline since 2013. As India's economic growth has boosted consumers' income, India market with a growth rate of 8.3% sold 3.88 million units in 2018, making it the fourth largest auto market in the world. India auto market is estimated to have an average annual growth rate of 7%, will surpass Japan as soon as 2021 and will become the world's third largest market.

Driven by the trend of the Internet of Vehicles, the output value of Automotive Telematics System will triple to US$ 6.7 billion by 2023. The functions of safety and security will be enriched, such as emergency calls, roadside assistance, tracking stolen vehicles and online updates.

In addition, more and more automobiles are equipped with display screens, and the screens are larger, more powerful, and more expensive. IHS predicts that the global automotive display system market will reach US$20.8 billion in 2022, compared to 2017 of US$11.6 billion, an increase of US$9.2 billion in five years.

In addition to the central display system, rear seat entertainment and information screens, the growth of car display market comes from safety display systems, instrument panels, head-up displays, and electronic rear-view mirrors. Leading vendors include Continental, Visteon, Panasonic, Denso and Bosch. The top 5 players accounted for more than 50% market share of the display system market.

About 67% of the car display screens with TFT LCD screens, and shipments are expected to grow from 135 million pieces in 2016 to 200 million pieces in 2022. Leading vendors include Japan Display Corporation (JDI), Innolux, Sharp, AUO and LG Display (LGD). The top 5 players accounted for 65% of the automotive display market. With the introduction of automotive touch modules by major automakers, the demand for automotive touch panel modules has surpassed that of notebook computer touch panel modules, becoming the third largest application after smart phones and tablets.

3. Smart Home Market Overview

IDC pointed out that smart home devices grew 31% to 640 million units in 2018 and will be estimated to grow to 1.3 billion units by 2022. The compound annual growth rate (CAGR) is as high as 20.8%, and the output value increased from US$162.2 billion in 2017 to US$300 billion in 2022, with a CAGR of 18%.

Global smart home device shipments from 2018 to 2022

Unit: million units

Device Type	**2018**	**2018 Market Share**	**2022**	**2022 Market Share**
Video Entertainment	310.5	48.2%	457.5	36.2%
Home Monitoring/Security	97.7	15.2%	244.9	19.4%
Smart Speaker	99.8	15.5%	230.5	18.2%
Lighting	37.7	5.9%	104.6	8.3%
Thermostat	13.7	2.1%	37.5	3.1%
Other	84.5	13.1%	189.3	15.0%
Total	**643.9**	100.0%	**1,264.5**	100.0%

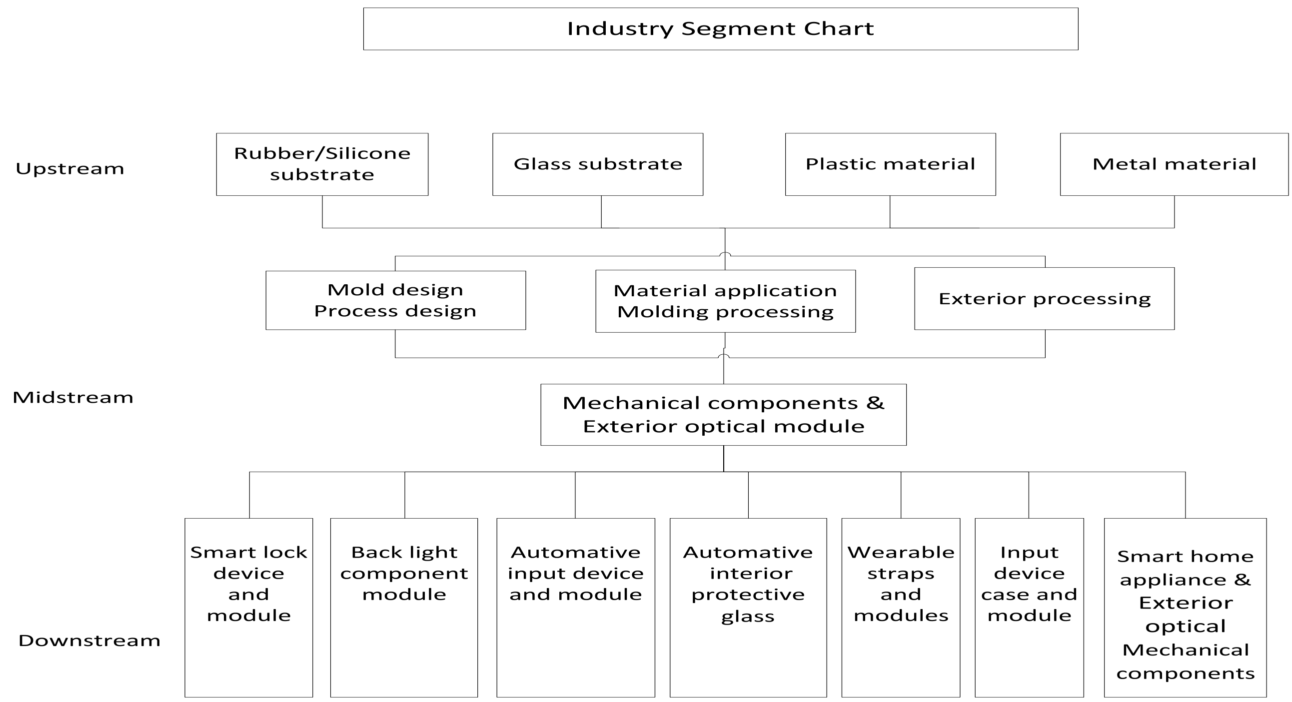
Source: IDC (2018/Oct.)

According to IDC analysis, smart assistants such as Alexa, Siri, and Google Assistant are rapidly changing the imagination of consumers and suppliers for smart homes. It is estimated that in the next five years, smart speakers like Amazon Echo and Google Home will be the most growing devices. Except video entertainment device, the other devices have a double-digit annual compound growth rate.

Video entertainment devices such as smart TVs, digital media adapters, and network video players will be the largest category of smart home devices. IDC estimates that the number of devices will reach 458 million by 2022, with a compound annual growth rate up to 10.9%, the output value is higher than three-quarters of the overall smart home market.

Home monitors and security products such as smart locks, monitors, humidity sensors and smart doorbells, etc. will be the second largest category of smart home devices. The future products will be easier to be installed and connected with smart assistants or other smart home devices. The products will get popular.

- **Links Between the Upstream, Midstream and Downstream Segments of the Industry**



Source: Silitech

- **Development Trends for Products**

The Company designs and manufactures various input keypad products and optical exterior components, applied to automotive industry and smart home appliances such as communication, information and consumer electronics. It serves the world's first-tier manufacturers. In the future, the Company's development direction will be:

1. Industry Side

   At present, due to the low production cost in Asia and the reduction of Japanese mobile phone manufacturers, the Japanese keypad suppliers have almost withdrawn from the supply chain. In the future, high-priced keypad products are expected to continue to be highly controlled by the Asian keypad suppliers. Although there are many small Asian factories, it is not easy to enter this industry, and the order of production and sales is expected to remain stable.

2. Product Side

   In the future, multimedia devices for mobile phones, tablets and vehicles will continue to be oriented toward light and thin, diversified, multimedia-related applications, personalized features and visual focus. The added value of exterior mechanical components will increase. The demand for thin metal parts and wear-resistant protective glass will continue to increase.

3. Technology Side

   Through deepening research and development of core technologies, combined with various materials, applications and exterior production process, we also provide customized technical services to end customers to meet the design needs of exterior decorative components of various industries.

4. Competition Situation

In the face of the rise of China's supply chain, the competition has become increasingly fierce and China's suppliers have become major competitors. Therefore, the Company actively develops the European, American and Japanese markets across industries, deepens core technologies and applies to high value-added and sophisticated products to establish a long-term competitive threshold.

With high-coefficient safety requirements and precise close-in technology, the Company has experience and channel relationships of long-term supply with international automakers and continues to develop and deepen the relevant products in the automotive industry.

5.1.3 Technologies and R&D Overview

- **R&D Expenses Invested in the Past Two Years and up to the Date of Publication of the Annual Report**

Unit: NT$ thousands

	2017	2018	2019/ Q1
R&D expenses	114,309	124,020	31,297
Percentage of revenue	5.00%	5.51%	5.63%

- **Technologies (Products) Successfully Developed**

The Company has always attached great importance to research and development and intellectual property rights. As of the date of publication of the annual report, the Company has obtained a total of 81 valid patents/patent numbers (excluding patents in invalid, overdue, during application or announcement). At present, the technology or products have been successfully developed are as follows: The first to twelfth generation of plastic and rubber-bonded keypads, metal mirror coating and printing, low-temperature vacuum sputtering plastic metallization, metal and plastic flat keypads, and nickel-free process products (Ni-free), ultra-thin EL / LED + light guide plate backlight keypad module manufacturing and design, NB keyboard thin backlight module, multi-display thin backlight module, stereo font keypads, film and elastomer modular keypads , QWERTY keypads, touch keypads with paragraph function, multi-display keypads module, integrated keypads with light guiding function, gradient color appearance processing development, ATO (customer zero inventory product) " just in time concept", liquid plastic Hard body, multiple QWERTY keypad, Colorful NCVM Keypad, surface special coating, Cubic / Holographic Keypad, Ultra-Thin Plating Component, LGF as Assembly Keypad Base, 1pcs LG with Separated Lighting Areas, Backside Printing ATO For Metalic Surface Color, UVPP IML Seamless, Gradient LGR, Assembly To Separate, Smart Touch Panel Keypad Module, double-sided guide Structure, metallic pieces of plastic, Colorful Aluminium Annodizing, 3D glass, protective glass, wearable devices, all kinds of material back cover, Dot View display wisdom protective cover products.

At the same time, in response to environmental regulations such as RoHS and Green Product, the Company can also meet the requirements of specifications and customers, and contribute to the protection of the environment.

5.1.4 Long-term and Short-term Business Development Plans

	Short-term Plans	Long-term Plans
Marketing	◆ To find new market applications based on existing core technologies. ◆ To build a business development platform and process, cooperate with industry information collection, and continue to find new market opportunities.	◆ To play the role of global specialization division, continue to promote and build a global marketing network to enhance the company's global market leading position and the share of various product lines.
R&D	◆ To develop high value-added products based on existing core technologies. ◆ To continuously strengthen core technical capabilities.	◆ In addition to the existing core technology, based on market trends, to establish new core technologies and products. ◆ To develop products for cross-industry applications in combination with market trends and needs.
Manufacture	◆ To meet the needs of customers, deploy and adjust global production bases flexibly and effectively, increase production efficiency and reduce production costs.	◆ To introduce automated processes to reduce manpower requirements, and establish a global flexible production model to meet the needs of customers for immediate delivery and diversification.
Operation	◆ To actively set up a global operational headquarter to coordinate the resources within the Company and bring into the synergy of the business.	◆ To steadily seek a strategic alliance of peers or different industries, with the goal of developing into a global enterprise group.
Finance	◆ To deploy the financial control spirit, cooperate with and support the Company's short/long-term development needs, and carry out relevant financing plans.	◆ To cooperate with the Company's operation scale and the upstream and downstream integration development of the industry, enrich the financing source domestically and overseas and build a foundation for the development of enterprises.

5.2 Market Analysis and Overview

5.2.1 Market Analysis

- **Geographic Areas Where the Main Products (Services) Are Provided (Supplied)**

Unit: NT$ thousands

Item \ Year		Year 2017		Year 2018	
		Amount	%	Amount	%
Domestic Revenue		120,514	5.27	107,935	4.79
Export Revenue	America	376,329	16.47	386,968	17.19
	Europe	353,664	15.48	322,246	14.32
	Asia	1,431,651	62.65	1,433,766	63.69
	Others	2,896	0.13	129	0.01
Subtotal- Export Revenue		2,164,540	94.73	2,143,109	95.21
Total		2,285,054	100.00	2,251,044	100.00

Note: Global consolidated data.

- **Market Share, Demand and Supply Conditions and Market's Growth Potential**

In the face of the rapid change of mobile phone market share and the slowdown of market growth rate, the Company is still ranked as the world's largest supplier in mobile phone keypads and module products

In the future, the Company will continue to develop high-priced, high-value-added products, such as automotive buttons, automotive protection glass, wearable products, and so on. Although the current market share is only in the single digit level, due to the continuous growth of the market, it is expected to further increase in the future.

- **Competitive Niche**

Systematic R&D capabilities and product design services	Through continuous sharing of technology platforms and APQP R&D exchange and PLM management mode, the Company continuously strengthens R&D technical capabilities, and is guided by the smooth operation of PM project-oriented mechanism to meet customer needs and provide customers with Total Solution and one-time purchase service. Therefore, the Company has been invited to participate in the Early Joint Design of various industrial exterior component products and has been favored by many international manufacturers.
Proper production base	The predecessor of the Company (formerly Silitek Corporation) set up a factory in the mainland China in 1994, to weigh the overall production cost. The Company properly deploys Southeast Asia and mainland China, combined with Taiwan's high-end product development and production, and builds a perfect global production base. Taiwan, China and Malaysia have successively obtained ISO 9000, ISO 14000, TS16949 and US Ford and Chrysler Best Supplier certifications.

Global sales channel	At present, the Company has established dense and in-depth local sales channels in the United States, Europe, Japan, Southeast Asia and mainland China. In addition to providing customers with prompt and immediate services, it has gradually established high-quality, accurate delivery and reasonable price competition advantages.
Professional collaborative supply chain management	The VQM management model, which leverages the spirit of the intermediate satellite system, actively assists the company's collaborative manufacturers to improve production processes, expand the scope of cooperation, and effectively improve the quality . Therefore, the strong and stable supply chain management (Supply Chain Management) has become one of the competitive niches of the Company.
Experienced management team	The company pays attention to talent cultivation, and the accumulated practical experience of the management team is more than 10 years. The cooperation tacit understanding and management beliefs are all in line with each other, which can effectively lead the company to develop steadily and move towards the international professional factory of exterior mechanical components.

- **Positive and Negative Factors for Future Development and Response**

1. Positive Factors

Smart phones grow steadily, mobile phones are still the largest 3C device market.	The global mobile phone manufacturers are launching new smart phones every year. In the future, with the help of new technologies such as 5G and AI (artificial intelligence), mobile phones are still the largest 3C device market products, and the annual sales volume is expected to reach 1.9 billion.
The decorative mechanical component design is more and more valued.	The personalized and colorful appearance requirements with rapid change of consumer demand have reduced the life cycle of consumer electronics products. Providing multi-style operational applications and appearance requirements, as well as the design requirements for exterior decorative components and protective glass have become even more important.
Automotive telematics system and display market continue to grow	Driven by the trend of the Internet of Vehicles, the proportion of automotive telematics system and multi-display systems is increasing. Products focus on safety, high functionality, precision and design quality. They need to be matched with ergonomic design and the mixed design of plastic, rubber, metal and glass. The requirements of these products are consistent with the design and manufacturing capabilities of the exterior mechanical

	components of the Company.
Smart family demand takes off	The gradual maturity of smart voice assistant has driven the global smart home device market to start from the initial stage. The compound annual growth rate (CAGR) in the next five years is as high as 20.8%. The demand for security products such as smart locks which also require sophisticated design capabilities is growing at a high level.

2. Negative Factors

Diversification of human and device interface	Keypads are the device and human interface of many electronic products. In addition to keypads, there are still alternative products such as voice, handwriting or touch panels. However, compared with the general products, the price of keypads is slightly high and the market changes need to be closely monitored in the future.
Increased labor costs in China	China's economy has grown rapidly. In recent years, the basic salary of labor has been continuously increased. Together with the appreciation of RMB, the overall cost of personnel in China has been continuously increased, caused the increase in the production costs in China.
The rise of mainland competitors	The gradual prevalence of 3C brands in China has led to the maturity of the supporting supply chain for overall production. The production and quality control capabilities of competitors have gradually improved, which has seriously impacted the component industry.
Talent cultivation is not easy	In recent years, the rapid change of science and technology has broken the boundaries of traditional university sub-disciplinary learning. Lots of industries need talents of cross-domain integration. In addition, the long-term low-pay problem in Taiwan has prompted the outflow of outstanding talents, which makes it difficult to recruit and cultivate talents.

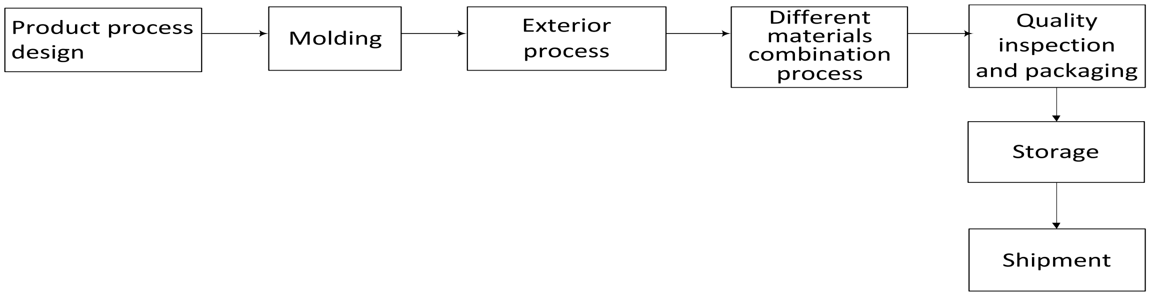
3. Response

Item	Notes
To grasp product development trends Cross-industry market development	In order to ensure the long-term competitive advantages, the Company actively expands the exterior decorative parts and components into related fields to diversify business risks and actively grasp the development trend of the industry. In addition to sticking to existing businesses: mobile phone keypads and automotive center control panel buttons, the Company also develops cross-industry product lines that are highly relevant to existing businesses, such as game console buttons, car protective glass, toy exterior optical mechanism modules, and wearable device accessories, etc., and new products among existing customers. In the stable transformation process of the Company, grasping the development opportunity, such as smart home, IoT devices.
Based on rationalization, less people, and automated process design, toward advanced manufacturing	The Company continues to improve the design of rationalized and automated processes and production efficiency in response to the global increasing labor costs.
To expand R&D team building To enhance core technology investment and product development flexibility	The Company is committed to cooperate with customers to produce differentiated and high value-added products. In response to the rise of China's brands, providing immediate and rapid design services and production flexibility for the design needs of nearby customers, the Company has established a new R&D team in China, in order to improve the overall research and development efficiency.
To strengthen vertical integration To strengthen specialization To seek strategic alliance	In line with customers' needs, the Company continues to expand the vertical integration design capabilities of different materials and different processes, provides a wide range of components and module manufacturing services, actively cultivates business, R&D, cross-disciplinary talents and seeks strategic alliance with key suppliers to strengthen specialization in the industry.

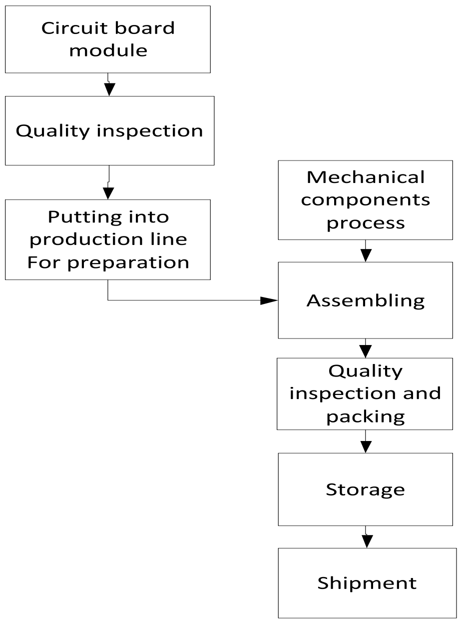
5.2.2 Usage and Manufacturing Processes for the Main Products

- **The company's current main products can be applied to 3C industry, automotive and toy industries, and other optical components and modules.**

- **Manufacturing Processes:**
  1. Keypad & Exterior Mechanical Components



  2. Module Products



5.2.3 Supply Situation for Major Raw Materials

Major Raw Materials	Source	Supply Situation
Silicone raw materials	Japan, the United States	Good
Plastic materials	Japan, the United States	Good
Chemical ink	Taiwan, Japan	Good
Glass raw material	United States, Japan	Good
Metal raw materials	Japan, China	Good

5.2.4 Suppliers and Clients Accounted for at Least 10% of Procurement (Sales) Amount and Percentage

- **Suppliers Accounted for at Least 10% of Annual Consolidated Net Procurement in Either of the Most Recent 2 Years:** None.

- **Customers Accounted for at Least 10% of Annual Consolidated Net Revenue in Either of the Most Recent 2 Years:**

Unit: NT$ thousands

	Year 2017				Year 2018				Year 2019 / Q1 (Note 2)			
No	Name	Amount	Percentage of Net Revenue〔%〕	Relationship with the Company	Name	Amount	Percentage of Net Revenue〔%〕	Relationship with the Company	Name	Amount	Percentage of Net Revenue〔%〕	Relationship with the Company
1	Customer A	581,096	25	None	Customer A	419,235	19	None	Customer A	79,904	14	None
2	Customer B	365,100	16	None	Customer B	381,791	17	None	Customer B	92,844	17	None
3	Customer C	–	–	None	Customer C	–	–	None	Customer C	74,900	13	None
	Other	1,338,858	59	–	Other	1,450,018	64	–	Other	308,537	56	–
	Net Revenue	2,285,054	100	–	Net Revenue	2,251,044	100	–	Net Revenue	556,185	100	–

Analysis of deviation over 20%: None.

Note 1: Due to contract limitation, using a code in place of the actual name of the customer.

Note 2: The Company should disclose the data which is reviewed by the CPAs as of the date of publication of the annual report,

5.2.5 Production Volume for the Most Recent 2 Years

Unit: NT$ thousands / thousand units

Volume / Year / Main Products	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Mechanical Components & Exterior Optical Modules	366,971	194,932	1,816,799	385,193	189,388	1,861,607
Total	366,971	194,932	1,816,799	385,193	189,388	1,861,607

Note 1: Capacity refers to the quantity that can be produced under normal operation after the company has measured the necessary stoppages, holidays, etc., using existing production equipment.

Note 2: The production of each product is substitutable. It is necessary to combine the calculated production capacity and note it.

5.2.6 Sales Volume for the Most Recent 2 Years

Unit: NT$ thousands / thousand units

Volume / Year / Main Products	2017				2018			
	Domestic Sales		Export		Domestic Sales		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Mechanical Components & Exterior Optical Modules	3,356	120,514	196,456	2,164,540	3,378	107,935	386,333	2,143,109
Total	3,356	120,514	196,456	2,164,540	3,378	107,935	386,333	2,143,109

5.3 Workforce Structure

Workforce Structure from the last two years and up to the date of publication of the annual report:

Year		2017	2018	2019/4/30
Number of Employees	DL	1,684	1,608	1,550
	IDL	737	774	774
	Total	2,421	2,382	2,324
Average Age		31.82	32.52	32.78
Average Years of Service		5.58	5.78	6.01
Education Level Percentage (%)	Doctor	—	—	—
	Master	4.17	4.28	4.30
	College	40.93	40.64	40.66
	High school	33.13	27.37	26.72
	Below high school	21.77	27.71	28.31

5.4 Disbursements for Environmental Protection

5.4.1

In the last two years, there is no major environmental pollution and other circumstances.

5.4.2

The Company does not have any environmental pollution status, and there is no pollution caused by the production process and the use of raw materials. The waste of production operation is cleared by qualified environmental agency approved by EPA.

5.4.3

In order to implement the environmental protection concept and fulfill the social responsibilities, the Company has not only complied with the relevant laws and regulations on environmental protection and the environmental protection requirements of the competent authorities, but also formulated relevant management procedures and regulations, and continued to implement environmental protection training to enhance employees' environmental awareness and concepts. While meeting the needs of customers and taking into account the reduction of environmental hazards, the Company starts with product design and improves the process and requirements to achieve the best product design and production process and fulfill the environmental responsibility.

5.4.4

In response to the “Restriction of Hazardous Substance“ (EU RoHS), the Company has established a Hazardous Substances Free (HSF) project at the end of 2004. The project starts from the propaganda and requirements of raw material manufacturers, the inspection of materials, the monitoring of product manufacturing processes, the completion of the product, to the third-party SGS inspection certificate, in order to ensure that the materials and products manufactured by the Company can meet the requirements of EU RoHS and hazardous substances control for all customers.

5.4.5

In 2008, the Company inspected all of the products and materials for PFOA / PFOS (the EU additional hazardous substances) to ensure all raw materials and manufactured products that contain no such hazardous substances. In the same year, the halogen (chlorine & bromine) content of raw materials was also inspected (halogen is mainly used in some resins and pigments). The replacement by halogen-free materials and introduction of mass production have completed in 2009. Therefore, all halogen-containing raw materials are replaced by halogen-free materials. The Company became a qualified supplier that meets the customer's halogen content of less than 900ppm.

5.4.6

In the past, the Company continued to pay attention to environmental protection issues and implemented relevant systems through practical actions, including ISO 14001 environmental management system verification and ISO 14064 greenhouse gas emissions verification. Based on the focus on energy management issues and faced the future of severe energy management, in order to effectively manage energy use and improve energy efficiency and further enhance the Company's environmental image, the Company will develop an energy management system and energy efficiency improvement programs to achieve the three-win goal of reducing energy costs, saving energy and reducing carbon emissions, and enhancing the corporate image. The Company's South China Plant "Xurong Electronics (Shenzhen) Co., Ltd." has conducted ISO 50001 verification by SGS and successfully obtained ISO 50001: 2011 certification.

5.5 Labor Relations

5.5.1 Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation

- The Company treats labor relations with respect and impartiality at all times The Company shows its unfailing attention to employee benefits, in addition to the provision of welfare funds according to law, the establishment of the Staff Welfare Committee and the selection of welfare committees to set annual plans for a variety of welfare activities. The Company also offers comprehensive employee care, which includes annual complimentary physical examinations, enrollment in the labor and national health insurances and purchasing group insurance for our employees. Regarding the diversity of employee benefits, we organize year-end parties and company trips, established employee dining rooms and convenience stores in our factory areas, and offer subsidies for the establishment of employee clubs, travel allowances, birthday and holiday gifts, scholarships for employees' children, as well as other benefits related to marriage, childbirth, military enlistment and death, thus sparing no effort to provide care for our employees. Profit and results sharing: stock or cash distribution to employees to enrich the staff benefits. The Company grants monthly leave and annual leave in accordance with the provisions of the Law of Labor and encourages employees to take leaves, so that work and life can be balanced. The Company established breastfeeding rooms and signed the Agreement for Employee Child Care Services with our collaborating kindergartens, which offer discounts for our employees' children. The Company also has employee suggestion boxes to enable employees and the Company to have more two-way communication channels.

- To stabilize post-retirement life of employees to enhance the service spirit, the "Employee Retirement Management Measures"- the old system formulated according to the law, clearly stated the retirement conditions of employees, the pension payment standard and the retirement application and pension payment matters. The Company established the employee retirement reserve supervision committee, provided the employee retirement reserve according to the "employee retirement reserve and management measures" and deposited in the name of the employee retirement reserve supervision committee with a statutory financial institution. The Company's "Employees' Retirement Management Measures" has been amended in accordance with the "Labor Pensions Ordinance" since 2005.7.1. The new system is levied 6% to the individual's retired account and clearly states the conditions for the application and the right to connect and convert between the old system and new system.

- Talents are the lifeblood of enterprises. In order to cultivate excellent successors, the Company has established a comprehensive talent development plan and education training workshops. According to the actual needs of each unit and the preparation of the annual budget, the whole year of training schedule is drawn up every year. According to different job functions, to plan the management courses for management level and stipulate employees to participate in various education and training courses conducted by the Company and related educational and training institutions. If it is necessary for the duties or work of employees, they may apply or be appointed by the direct supervisor for outside training. At the end of the course, employees are required to submit a report or briefing, and the results will be one of the eligibility criteria for future promotion. The 2018 training courses included six standard deviations, QC seven methods and project management, objective management, project management, daily management, management seven tools, information security, management functions, safety and health, law, CSER, etc. The total annual training cost is about NT$ 3.22 million, the total training time is 35,952 hours, and the person/times of training staff is about 17,268.

- Employee behavior or ethical code
  In order to maintain a safe and healthy working environment, in accordance with the employee work rules, the Company and its employees should be responsible for their duties and comply with all company regulations and related laws. In order to strengthen labor-management cooperation and exchange of opinions, the Company has held the labor conference and established complaint channels and disciplinary measures to promote communication/ harmony between employers and employees. In addition, the Company has formulated the "Social Responsibility Management Handbook" and the "Regulations for Ethical Business Operations" as the ethical values that all employees should follow. It is also the Company's business philosophy.

- Protective measures for the work environment and employees' safety
  In order to establish a safe and health management system and avoid occupational disasters, the Company has formulated industrial safety implementation procedures and safety/health work codes, discussed labor safety issues irregularly in the Labor Safety and Health Committee, strengthened safety education and training to promote employee self-protection system, and then implemented and created safety culture. In view of the importance of the work

environment and the personal safety protection measures of employees, the Company has set up labor safety and health management personnel to be responsible for the promotion of labor safety and health, and implemented automatic inspection. In addition to regular maintenance of various machinery and implementation according to the operational instructions, in order to prevent disasters and to make employees' awareness of safety and health operations, the Company also regularly conducts general personnel safety and health education training courses to enable all employees to understand and follow the relevant laws and regulations, educates employees on the maintenance and use of protective equipment, emergency and notification of accidents. Through advocacy planning and implementation, the potential occupational disaster risk of all employees is reduced with a zero disaster target. The Company had no occupational disasters in 2018.

5.5.2 For last two years and up to the date of publication of the annual report, there was no loss due to labor disputes. The current labor relation is harmonious and there is no concern on labor disputes.

5.6 Material Contracts

Contract Nature	Contracting Party:	Term of Agreement	Major Content	Restrictive Clauses
Sales contracts	Confidentiality, no disclosure	Confidentiality, no disclosure	Relevant agreements for the sale of the Company's products, such as the type of goods, goods, specifications, delivery period and quantity.	None

Financial Highlights and Analysis

6.1 Financial Highlights & Auditors' Opinions

6.1.1 Condensed Balance Sheet & Statement of Comprehensive Income - IFRSs

◆ **Condensed Balance Sheet – IFRSs (Consolidated)**

Unit: NT$ thousands

Item \ Year		Consolidated financial data for past 5 years（Note1）					2019 Q1 (Note 2)
		2014 (Note 4)	2015	2016	2017	2018	
Current Assets		5,982,635	5,467,860	4,725,000	4,049,950	3,972,433	3,914,075
Property, Plant and Equipment		1,220,634	1,109,209	954,336	552,087	502,160	515,523
Intangible Assets		10,138	4,773	331	945	3,366	3,105
Other Asset		898,717	827,213	660,625	262,068	266,023	327,559
Total Assets		8,112,124	7,409,055	6,340,292	4,865,050	4,743,982	4,760,262
Current Liabilities	Before Distribution	1,642,438	1,399,290	1,340,826	945,650	881,038	843,586
	After Distribution	1,642,438	1,505,126	1,340,826	945,650	(Note3)	-
Noncurrent Liabilities		1,666,121	1,608,984	1,057,556	116,205	99,356	133,852
Total Liabilities	Before Distribution	3,308,559	3,008,274	2,398,382	1,061,855	980,394	977,438
	After Distribution	3,308,559	3,114,110	2,398,382	1,061,855	(Note3)	-
Equity Attributable to Shareholders of the Parent		4,749,236	4,391,458	3,940,667	3,802,062	3,763,588	3,782,824
Capital Stock		1,893,838	1,893,838	1,893,838	1,893,838	1,793,838	1,793,838
Capital Surplus		762,686	535,425	535,425	535,425	507,154	507,154
Retained Earnings	Before Distribution	1,907,347	2,051,140	1,833,232	1,747,195	1,745,437	1,721,582
	After Distribution	1,907,347	1,945,304	1,833,232	1,747,195	(Note 3)	-
Other Equity		185,365	145,709	(87,174)	(139,742)	(282,841)	(239,750)
Treasury Shares		-	(234,654)	(234,654)	(234,654)	-	-
Noncontrolling Interests		54,329	9,323	1,243	1,133	-	-
Total Equity	Before Distribution	4,803,565	4,400,781	3,941,910	3,803,195	3,763,588	3,782,824
	After Distribution	4,803,565	4,294,945	3,941,910	3,803,195	(Note 3)	-

Note 1: The financial data has been conducted audits by CPA.
Note 2: The financial data has been reviewed by CPA.
Note 3: The appropriation of 2018 earnings will be approved with resolution by 2019 shareholders' meeting.
Note 4: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

- **Condensed Statement of Comprehensive Income - IFRSs (Consolidated)**

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Consolidated financial data for past 5 years（Note1）					2019 Q1 (Note 2)
	2014 (Note 3)	2015	2016	2017	2018	
Operating Revenue	4,502,520	3,530,193	2,387,732	2,285,054	2,251,044	556,185
Gross Profit	236,869	570,308	257,305	303,931	289,236	76,490
Income (Loss) from Operations	(700,149)	37,582	(194,567)	(127,058)	(151,276)	(28,379)
Non-operating Income and Expenses	(743,127)	136,319	63,259	38,215	194,331	26,416
Profit (Loss) before Income Tax	(1,443,276)	173,901	(131,308)	(88,843)	43,055	(1,963)
Profit (Loss) from continuing operations	(1,402,037)	101,383	(116,873)	(82,105)	(33,816)	(8,949)
Profit (Loss) from Discontinuing Operations	-	-	-	-	-	-
Net Income (Loss)	(1,402,037)	101,383	(116,873)	(82,105)	(33,816)	(8,949)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	108,677	(42,252)	(236,162)	(56,610)	(4,603)	43,091
Total Comprehensive Income (Loss) for the Year	(1,293,360)	59,131	(353,035)	(138,715)	(38,419)	34,142
Net Income (Loss) Attributable to: Owners of the Parent Company	(1,385,220)	145,977	(109,202)	(82,018)	(33,816)	(8,949)
Net Income (Loss) Attributable to: Noncontrolling Interests	(16,817)	(44,594)	(7,671)	(87)	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(1,278,523)	104,137	(344,955)	(138,605)	(38,474)	34,142
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	(14,837)	(45,006)	(8,080)	(110)	55	-
Earnings Per Share	(7.32)	0.79	(0.61)	(0.46)	(0.19)	(0.05)

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

Note 3: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

- **Condensed Balance Sheet – IFRSs (Unconsolidated)**

Unit: NT$ thousands

Item \ Year		Financial data for past 5 years (Note 1)				
		2014 (Note 3)	2015	2016	2017	2018
Current Assets		2,480,330	2,381,410	2,203,861	767,202	669,864
Property, Plant and Equipment		106,738	78,823	66,685	60,939	54,949
Intangible Assets		4,862	338	-	-	1,216
Other Asset		4,268,865	3,975,016	3,465,853	3,489,674	3,518,901
Total Assets		6,860,795	6,435,587	5,736,399	4,317,815	4,244,930
Current Liabilities	Before Distribution	463,817	453,118	755,845	421,405	405,014
	After Distribution	463,817	558,954	755,845	421,405	(Note 2)
Noncurrent Liabilities		1,647,742	1,591,011	1,039,887	94,348	76,328
Total Liabilities	Before Distribution	2,111,559	2,044,129	1,795,732	515,753	481,342
	After Distribution	2,111,559	2,149,965	1,795,732	515,753	(Note2)
Equity Attributable to Owners of the Parent Company		4,749,236	4,391,458	3,940,667	3,802,062	3,763,588
Capital Stock		1,893,838	1,893,838	1,893,838	1,893,838	1,793,838
Capital Surplus		762,686	535,425	535,425	535,425	507,154
Retained Earnings	Before Distribution	1,907,347	2,051,140	1,833,232	1,747,195	1,745,437
	After Distribution	1,907,347	1,945,304	1,833,232	1,747,195	(Note 2)
Other Equity		185,365	145,709	(87,174)	(139,742)	(282,841)
Treasury Shares		-	(234,654)	(234,654)	(234,654)	-
Noncontrolling Interests		-	-	-	-	-
Total Equity	Before Distribution	4,749,236	4,391,458	3,940,667	3,802,062	3,763,588
	After Distribution	4,749,236	4,285,622	3,940,667	3,802,062	(Note 2)

Note 1: The financial data has been conducted audits by CPA.

Note 2: The appropriation of 2018 earnings will be approved with resolution by 2019 shareholders' meeting.

Note 3: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

◆ **Condensed Statement of Comprehensive Income – IFRSs (Unconsolidated)**

Unit: NT$ thousands (Except EPS: NT$)

Item \ Year	Financial data for past 5 years（Note 1）				
	2014 (Note 2)	2015	2016	2017	2018
Operating Revenue	1,105,473	1,222,040	759,372	947,665	977,970
Gross Profit	119,418	244,649	133,631	103,365	116,897
Income (Loss) from Operations	(210,829)	(29,148)	(93,709)	(103,591)	(92,006)
Non-operating Income and Expenses	(1,291,433)	187,582	(43,425)	7,466	57,371
Profit (Loss) before Income Tax	(1,502,262)	158,434	(137,134)	(96,125)	(34,635)
Profit (Loss) from continuing operations	(1,385,220)	145,977	(109,202)	(82,018)	(33,816)
Profit (Loss) from Discontinuing Operations	-	-	-	-	-
Net Income (Loss)	(1,385,220)	145,977	(109,202)	(82,018)	(33,816)
Other Comprehensive Income (Loss) for the Year, Net of Income Tax	106,697	(41,840)	(235,753)	(56,587)	(4,658)
Total Comprehensive Income (Loss) for the Year	(1,278,523)	104,137	(344,955)	(138,605)	(38,474)
Net Income (Loss) Attributable to: Owners of the Parent Company	(1,385,220)	145,977	(109,202)	(82,018)	(33,816)
Net Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Total Comprehensive Income (Loss) Attributable to: Owners of the Parent Company	(1,278,523)	104,137	(344,955)	(138,605)	(38,474)
Total Comprehensive Income (Loss) Attributable to: Noncontrolling Interests	-	-	-	-	-
Earnings Per Share	(7.32)	0.79	(0.61)	(0.46)	(0.19)

Note 1: The financial data has been conducted audits by CPA.

Note 2: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

6.1.2 Auditors' Opinions for past 5 years

Year	CPA Firm	CPA	Audit Opinion
2014	Deloitte & Touche	Cheng-Tsai Tsai and Chin-Tsung Cheng	Unqualified Opinion
2015	Deloitte & Touche	Cheng-Tsai Tsai and Chin-Tsung Cheng	Unqualified Opinion
2016	Deloitte & Touche	Cheng-Tsai Tsai and Yung-Hsiang Chao	Unmodified Opinion (Note)
2017	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion (Note)
2018	Deloitte & Touche	Yung-Hsiang Chao and Jr-Shian Ke	Unmodified Opinion (Note)

Note: In 2016, "An Unqualified Opinion" was replaced by "An Unmodified Opinion" according to the new auditing standard of the Republic of China.

6.2 Financial Analysis

6.2.1 Financial Analysis - IFRSs (Consolidated)

Analysis Item \ Year		Consolidated financial analysis for past 5 years (Note1)					2019/Q1 (Note 2)
		2014 (Note 3)	2015	2016	2017	2018	
Capital Structure Analysis	Debts Ratio (%)	40.79	40.60	37.83	21.83	20.67	20.53
	Long-term Fund to Property, Plant and Equipment (%)	530.03	541.81	523.87	709.92	769.27	759.75
Liquidity Analysis	Current Ratio (%)	364.25	390.76	352.39	428.27	450.88	463.98
	Quick Ratio (%)	342.65	371.38	339.01	404.4	420.64	435.69
	Times Interest Earned (Times)	(53.65)	8.28	(4.73)	(7.02)	0.00	(0.54)
Operating Performance Analysis	Average Collection Turnover (Times)	3.97	4.46	5.04	5.97	4.50	4.49
	Days Sales Outstanding	92	82	72	61	81	81
	Average Inventory Turnover (Times)	14.31	13.95	14.39	16.99	12.72	11.07
	Average Payment Turnover (Times)	4.85	4.16	4.31	4.62	4.33	4.24
	Average Inventory Turnover Days	26	26	25	21	29	33
	Property, Plant and Equipment Turnover (Times)	2.26	3.03	2.31	3.03	4.27	4.37
	Total Assets Turnover (Times)	0.49	0.45	0.35	0.41	0.47	0.47
Profitability Analysis	Return on Total Assets (%)	(15.16)	1.56	(1.42)	(1.30)	(0.70)	(0.17)
	Return on Equity (%)	(25.35)	2.20	(2.80)	(2.12)	(0.89)	(0.24)
	Pre-tax Income to Paid-in Capital Ratio (%)	(76.21)	9.18	(6.93)	(4.69)	2.40	(0.11)
	Net Margin (%)	(31.14)	2.87	(4.89)	(3.59)	(1.50)	(1.61)
	Earnings Per Share (NT$)	(7.32)	0.79	(0.61)	(0.46)	(0.19)	(0.05)
Cash Flow	Cash Flow Ratio (%)	8.02	30.37	1.15	(16.35)	(33.94)	5.63
	Cash Flow Adequacy Ratio (%)	107.63	75.61	72.91	44.77	8.83	4.15
	Cash Flow Reinvestment Ratio (%)	(0.57)	2.26	(1.21)	(2.71)	(5.38)	0.84
Leverage	Operating Leverage	(2.05)	29.93	(4.40)	(6.58)	(5.41)	(7.75)
	Financial Leverage	0.96	2.74	0.89	0.92	1.00	0.96

Note 1: The financial data has been conducted audits by CPA.

Note 2: The financial data has been reviewed by CPA.

Note 3: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

Analysis of deviation over 20% of 2018 vs. 2017:

1. Decrease in times interest earned (times): due to the repayment of long-term borrowing and no interest expenses.
2. Decrease in receivables turnover (times) and increase in the average number of days of collection: due to the increase in trade receivables which is caused by the extended payment term of the customers.
3. Decrease in inventory turnover (times) and increase in the average number of sales days: due to the shortage of main raw materials of automotive components, the material stocks were prepared in advance; customers delayed goods pulling, which caused the inventories to be increased.
4. Increase in turnover (times) of property, plant and equipment: mainly due to the decrease in net property, plant and equipment.
5. Increase in return on total assets (%): mainly due to the decrease in net loss after tax.
6. Increase in return on equity (%): mainly due to the decrease in net loss after tax.
7. Increase in pre-tax income to paid-in capital ratio (%): due to the decrease in pre-tax loss.
8. Increase in net profit margin (%): due to the decrease in after-tax loss.
9. Decrease in loss per share (NT$): due to the decrease in after-tax loss.
10. Decrease in cash flow ratio (%): mainly due to the increase in the inventories and the decrease in the trade payables, which caused net cash outflow from operating activities to increase in 2018.
11. Decrease in cash flow adequacy ratio (%): explained as above.
12. Decrease in cash reinvestment ratio (%): explained as above.

6.2.2 Financial Analysis - IFRSs (Unconsolidated)

Analysis Item		Financial analysis for past 5 years (Note1)				
Year		2014 (Note2)	2015	2016	2017	2018
Capital Structure Analysis	Debts Ratio (%)	30.78	31.76	31.30	11.94	11.34
	Long-term Fund to Property, Plant and Equipment (%)	5,993.16	7,589.75	7,468.78	6,393.95	6,988.15
Liquidity Analysis	Current Ratio (%)	534.76	525.56	291.58	182.06	165.39
	Quick Ratio (%)	526.48	509.90	290.26	178.68	157.56
	Times Interest Earned (Times)	(60.34)	7.64	(4.98)	(7.68)	0.00
Operating Performance Analysis	Average Collection Turnover (Times)	2.65	3.38	3.36	4.85	3.63
	Days Sales Outstanding	138	108	109	75	101
	Average Inventory Turnover (Times)	35.19	22.37	20.86	568.2	62.23
	Average Payment Turnover (Times)	2.84	2.91	2.63	3.49	2.37
	Average Inventory Turnover Days	10	16	17	1	6
	Property, Plant and Equipment Turnover (Times)	6.54	13.17	10.44	14.85	16.88
	Total Assets Turnover (Times)	0.14	0.18	0.12	0.19	0.23
Profitability Analysis	Return on Total Assets (%)	(17.77)	2.49	(1.48)	(1.45)	(0.79)
	Return on Equity (%)	(25.33)	3.19	(2.62)	(2.12)	(0.89)
	Pre-tax Income to Paid-in Capital Ratio (%)	(79.32)	8.37	(7.24)	(5.08)	(1.93)
	Net Margin (%)	(125.31)	11.95	(14.38)	(8.65)	(3.46)
	Earnings Per Share (NT$)	(7.32)	0.79	(0.61)	(0.46)	(0.19)
Cash Flow	Cash Flow Ratio (%)	38.92	35.52	37.02	34.48	34.90
	Cash Flow Adequacy Ratio (%)	77.11	73.98	79.56	120.64	145.16
	Cash Flow Reinvestment Ratio (%)	(0.11)	(1.03)	3.21	3.36	3.31
Leverage	Operating Leverage	(1.07)	(7.75)	(1.34)	(1.01)	(10.05)
	Financial Leverage	0.90	0.55	0.80	0.90	1.00

Note 1: The financial data has been conducted audits by CPA.

Note 2: In accordance with 2013 Taiwan-IFRSs version and the amendments to Regulations Governing the Preparation of Financial Reports by Securities Issuers issued into effect by the FSC, to retrospectively apply the effect of restatement according to amendments to IAS19.

Analysis of deviation over 20% of 2018 vs. 2017:

1. Decrease in times interest earned (times): due to the repayment of long-term borrowing and no interest expenses.
2. Decrease in receivables turnover (times) and increase in the average number of days of collection: due to the increase in net trade receivables and notes receivable.
3. Decrease in inventory turnover (times) and increase in the average number of sales days: due to the increase in net inventories.
4. Decrease in average payment turnover (times): due to the decrease in trade payables.
5. Increase in total assets turnover (times): mainly due to the increase in operating revenue.
6. Increase in return on total assets (%): mainly due to the decrease in net loss after tax.
7. Increase in return on equity (%): mainly due to the decrease in net loss after tax.
8. Decrease in pre-tax loss to paid-in capital ratio (%): due to the decrease in pre-tax loss.
9. Increase in net profit margin (%): due to the decrease in after-tax loss.
10. Decrease in loss per share (NT$): due to the decrease in after-tax loss.
11. Increase in operating leverage: mainly due to the decrease in operating net loss.

The calculation formula of financial analysis is as follows:

1. Capital Structure Analysis
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

2. Liquidity Analysis
   (1) Current Ratio = Current Assets / Current Liabilities
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities
   (3) Times Interest Earned = Earnings before Interest and Taxes / Interest Expenses

3. Operating Performance Analysis
   (1) Average Collection Turnover =Operating Revenue / Average Trade Receivables
   (2) Days Sales Outstanding = 365 / Average Collection Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventory
   (4) Average Inventory Turnover Days = 365 / Average Inventory Turnover
   (5) Average Payment Turnover = Cost of Sales / Average Trade Payables
   (6) Property, Plant and Equipment Turnover =Operating Revenue / Average Net Property, Plant and Equipment
   (7) Total Assets Turnover =Operating Revenue / Average Total Assets

4. Profitability Analysis
   (1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets
   (2) Return on Equity = Net Income / Average Equity
   (3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital
   (4) Net Margin = Net Income /Operating Revenue
   (5) Earnings Per Share = (Net Income Attributable to Owners of the Parent Company - Preferred Stock Dividend) /Weighted Average Number of Shares Outstanding

5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities
   (2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend
   (3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage
   (1) Operating Leverage = (Operating Revenue - Variable Cost) / Income from Operations
   (2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

6.3 Audit Committee's Review Report

Audit Committee's Review Report

To: The 2019 Annual General Shareholders' Meeting of Silitech Technology Corporation

The Board of Directors has prepared and submitted to the undersigned, Audit Committee of Silitech Technology Corporation the 2018 Business Report, Financial Statements and the proposal of distribution of earnings. The Financial Statements have been duly audited by Certified Public Accountants Yung-Hsiang Chao and Jr-Shian Ke of Deloitte Touche Tohmatsu International Taiwan. The above Business Report, Financial Statements and the proposal of distribution of earnings have been examined and determined to be correct by the undersigned. This Report is duly submitted in accordance with Article 14-4 of Securities and Exchange Act and Article 219 of the Company Act.

Convener of the Audit Committee:

Mr. James Kuo

February 25, 2019

6.4 Consolidated Financial Statements of 2018

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

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RAYMOND SOONG
Chairman

February 25, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

Opinion

We have audited the accompanying consolidated financial statements of Silitech Technology Corporation and its subsidiaries (collectively referred to as 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 (collectively referred to as the "consolidated financial statements").

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.

For the year ended December 31, 2018, the key audit matters to the Group's consolidated financial statements were as follows:

Allowance for Impairment Loss on Trade Receivables

Due to high concentration of keypad transactions among major clients, trade receivables accounted for 11 % of the total assets as of December 31, 2018. The management evaluated the allowance for bad debts from major clients. First, trade receivables were assessed for impairment individually, then, the rest of receivables were assessed on a collective basis. As the provision for allowance for bad debts was based on the assumption of expected credit risk, and involved significant judgments, when there is significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the allowance for bad debts as a key audit matter in our audit.

The audit procedures performed in respect of the management's assessment of trade receivable for impairment included the following:

1. We reviewed the historical trade receivable recovery records to analyze the allowance for bad debts. Based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable is reasonable. Furthermore, we referred to the payment records and other accessible customer information of the current year, and individually verified whether there is a significant amount of delayed payments to be recognized as impairment.

2. We evaluated the collectability of overdue trade receivables after the subsequent period in order to consider whether it can be recognized as extra allowance for bad debts.

3. We obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management and tested the accuracy of the aging schedule in order to calculate the allowance for bad debts recognized by management.

For the policy of evaluating the impairment of trade receivables, refer to Note 4 to the consolidated financial statements. Refer to Notes 5 and 12 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Inventory Valuation Losses

We considered the significant judgement involved in evaluating the net realizable value of inventory in our audit; in particular, we focused on the estimation of allowance for outdated inventory valuation losses.

The audit procedures for testing the net realizable value of inventories are as follow:

1. We understood the Management policy of inventory valuation and the relevant internal control.

2. We tested the accuracy and completeness of the inventory aging report.

3. We tested the carrying amount of the ending inventory. We sampled the latest information of purchases and sales to verify with management whether inventories were evaluated using the lower of cost or net realizable value method. We assessed the appropriateness of the assessment base and rationality of change of allowance for inventory valuation losses, and we recalculated the net realizable value of the ending inventory.

4 We evaluated the appropriateness of the accounting policy for recognizing the allowance for inventory valuation losses. We obtained the inventory aging report and compared the historical data of allowance for inventory valuation losses with actual disposal of inventory.

5. We attended the inventory count at the end of year in order to evaluate the condition of the inventory and the reasonableness of the allowance for inventory valuation loss recognition to outdated inventory and spoilage.

For the policy on evaluating the allowance for inventory valuation losses, refer to Note 4 to the consolidated financial statements. Refer to Notes 5 and 13 for critical accounting judgments and key sources of estimation uncertainty.

<u>Gain on Disposal of Assets</u>

Silitech Group decided to sell its property, plant, equipment and investment property in Suzhou by the approval of the board of directors, for which it generated a gain of $153,905 thousand on the disposal of its assets, representing approximately (401%) of the comprehensive income. We considered the overall financial statements to have a significant impact. If the substance of the transaction was not recorded correctly and reflected, it will affect the balance of the assets and the gain or loss on financial statements. Therefore, we regard the gain or loss on disposal of relevant assets as a key audit matter in our audit.

The audit procedures on testing the disposal of assets were as follows:

1. We inspected whether the decision of selling the property, plant, equipment and investment property was determined by the board of directors. We inspected the contracts and valuation report to verify the authenticity and reasonableness of the price.

2. We compared the transactions to the bank statements, and calculated the gain or loss on disposal of assets to verify the accuracy of such transactions.

Other Matter

We have also audited the parent company only financial statements of Silitech Technology Corporation 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 Financial Supervisory Commission of the Republic of China, 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 Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 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 and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

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 and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 2,660,470	56	$ 1,712,305	35
Financial assets at fair value through profit or loss (FVTPL) (Notes 4 and 7)	1,614	-	757	-
Financial assets at amortized cost	38,149	1	-	-
Debt instruments with no active market (Notes 4, 11 and 32)	-	-	782,785	16
Notes receivable, net	-	-	46	-
Other notes receivable (Note 12)	316,067	7	-	-
Trade receivables, net (Notes 4, 5 and 12)	518,296	11	463,678	10
Trade receivables from related parties (Notes 4, 5, 12 and 31)	9,044	-	9,116	-
Other receivables (Note 4)	145,725	3	25,001	1
Other receivables from related parties (Notes 4 and 31)	16,137	-	14,397	-
Current tax assets (Notes 4 and 26)	495	-	968	-
Inventories, net (Notes 4, 5 and 13)	187,750	4	120,725	2
Non-current assets held for sale (Notes 4 and 14)	-	-	815,143	17
Other current assets (Note 19)	78,686	2	105,029	2
Total current assets	3,972,433	84	4,049,950	83
NON-CURRENT ASSETS				
Financial assets at FVTPL (Notes 3, 4 and 7)	28,103	1	-	-
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 3, 4 and 8)	7,308	-	-	-
Financial assets measured at cost (Notes 4 and 10)	-	-	38,519	1
Investments accounted for using the equity method (Notes 4 and 16)	71,176	1	70,592	2
Property, plant and equipment, net (Notes 4, 14 and 17)	502,160	11	552,087	11
Intangible assets, net (Note 4)	3,366	-	945	-
Deferred tax assets (Notes 4, 5 and 26)	139,652	3	131,329	3
Refundable deposits (Note 4)	2,153	-	6,111	-
Other non-current assets (Note 19)	17,631	-	15,517	-
Total non-current assets	771,549	16	815,100	17
TOTAL	$ 4,743,982	100	$ 4,865,050	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable (Note 4)	$ -	-	$ 18,618	1
Trade payables (Note 4)	422,543	9	461,108	10
Trade payables to related parties (Note 31)	2,162	-	909	-
Other payables (Notes 4 and 20)	407,343	9	398,818	8
Other payables to related parties (Notes 4 and 31)	9,575	-	11,120	-
Current tax liabilities (Notes 4 and 26)	2,746	-	2,908	-
Provisions (Notes 4 and 21)	508	-	2,637	-
Other current liabilities	36,161	1	49,532	1
Total current liabilities	881,038	19	945,650	20
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4, 5 and 22)	65,237	1	78,933	1
Guarantee deposits (Note 4)	762	-	812	-
Deferred tax liabilities (Notes 4 and 26)	33,357	1	36,460	1
Total non-current liabilities	99,356	2	116,205	2
Total liabilities	980,394	21	1,061,855	22
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 23)				
Share capital				
Ordinary shares	1,793,838	38	1,893,838	39
Capital surplus	507,154	10	535,425	11
Retained earnings				
Legal reserve	1,109,766	23	1,109,766	23
Special reserve	139,742	3	87,174	2
Unappropriated earnings	495,929	11	550,255	11
Total retained earnings	1,745,437	37	1,747,195	36
Other equity	(282,841)	(6)	(139,742)	(3)
Treasury shares	-	-	(234,654)	(5)
Total equity attributable to owners of the Parent Company	3,763,588	79	3,802,062	78
NON-CONTROLLING INTERESTS	-	-	1,133	-
Total equity	3,763,588	79	3,803,195	78
TOTAL	$ 4,743,982	100	$ 4,865,050	100

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

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 24 and 31)	$ 2,251,044	100	$ 2,285,054	100
COST OF GOODS SOLD (Notes 11, 28 and 31)	(1,961,808)	(87)	(1,981,123)	(87)
GROSS PROFIT	289,236	13	303,931	13
OPERATING EXPENSES (Notes 28 and 31)				
Selling and marketing expenses	(110,684)	(5)	(109,444)	(5)
General and administrative expenses	(208,378)	(9)	(207,236)	(9)
Research and development expenses	(124,020)	(6)	(114,309)	(5)
Expected credit gain	2,570	-	-	-
Total operating expenses	(440,512)	(20)	(430,989)	(19)
LOSS FROM OPERATIONS	(151,276)	(7)	(127,058)	(6)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 25 and 31)	94,457	4	94,717	4
Other gains and losses (Notes 25 and 31)	157,115	7	(47,742)	(2)
Finance costs	-	-	(11,083)	-
Share of profit or loss of associates	(337)	-	2,323	-
Loss on impairment of property, plant and equipment	(56,904)	(2)	-	-
Total non-operating income and expenses	194,331	9	38,215	2
PROFIT (LOSS) BEFORE INCOME TAX	43,055	2	(88,843)	(4)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 26)	(76,871)	(4)	6,738	-
NET LOSS FOR THE YEAR	(33,816)	(2)	(82,105)	(4)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(964)	-	(5,145)	-
Share of the other comprehensive income of associates accounted for using the equity method	12	-	133	-

(Continued)

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
Unrealized gain (loss) on investment in equity instruments at fair value through other comprehensive loss	$ (3,858)	-	$ -	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	950	-	993	-
	(3,860)	-	(4,019)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	(8,843)	-	(61,185)	(3)
Share of the other comprehensive income (loss) of associates accounted for using the equity method	1,578	-	(2,191)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 26)	6,522	-	10,785	1
	(743)	-	(52,591)	(2)
Other comprehensive loss for the year, net of income tax	(4,603)	-	(56,610)	(2)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (38,419)	(2)	$ (138,715)	(6)
NET LOSS ATTRIBUTABLE TO:				
Owners of the Parent Company	$ (33,816)	(2)	$ (82,018)	(4)
Non-controlling interests	-	-	(87)	-
	$ (33,816)	(2)	$ (82,105)	(4)
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Parent Company	$ (38,474)	(2)	$ (138,605)	(6)
Non-controlling interests	55	-	(110)	-
	$ (38,419)	(2)	$ (138,715)	(6)
LOSS PER SHARE (N.T. DOLLARS; Note 27)				
From continuing operations				
Basic	$ (0.19)		$ (0.46)	
Diluted	$ (0.19)		$ (0.46)	

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

SILITECH TECHNOLOGY CORPORATION AND 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 Company														
	Share Capital			Retained Earnings				Other Equity							
	Ordinary Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Unrealized Loss on Financial Assets at FVTOCI	Total	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	189,384	$ 1,893,838	$ 535,425	$ 1,109,766	$ -	$ 723,466	$ 1,833,232	$ (87,289)	$ 115	$ -	$ (87,174)	$ (234,654)	$ 3,940,667	$ 1,243	$ 3,941,910
Appropriation of 2016 earnings Special reserve	-	-	-	-	87,174	(87,174)	-	-	-	-	-	-	-	-	-
Net loss for the year ended December 31, 2017	-	-	-	-	-	(82,018)	(82,018)	-	-	-	-	-	(82,018)	(87)	(82,105)
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(4,019)	(4,019)	(52,658)	90	-	(52,568)	-	(56,587)	(23)	(56,610)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(86,037)	(86,037)	(52,658)	90	-	(52,568)	-	(138,605)	(110)	(138,715)
BALANCE AT DECEMBER 31, 2017	189,384	1,893,838	535,425	1,109,766	87,174	550,255	1,747,195	(139,947)	205	-	(139,742)	(234,654)	3,802,062	1,133	3,803,195
Effect of retrospective application	-	-	-	-	-	138,383	138,383	-	(205)	(138,178)	(138,383)	-	-	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	189,384	1,893,838	535,425	1,109,766	87,174	688,638	1,885,578	(139,947)	-	(138,178)	(278,125)	(234,654)	3,802,062	1,133	3,803,195
Appropriation of 2017 earnings Special reserve	-	-	-	-	52,568	(52,568)	-	-	-	-	-	-	-	-	-
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,188)	(1,188)
Net loss for the year ended December 31, 2018	-	-	-	-	-	(33,816)	(33,816)	-	-	-	-	-	(33,816)	-	(33,816)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	58	58	(798)	-	(3,918)	(4,716)	-	(4,658)	55	(4,603)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	(33,758)	(33,758)	(798)	-	(3,918)	(4,716)	-	(38,474)	55	(38,419)
Cancelation of treasury shares	(10,000)	(100,000)	(28,271)	-	-	(106,383)	(106,383)	-	-	-	-	234,654	-	-	-
BALANCE AT DECEMBER 31, 2018	179,384	$ 1,793,838	$ 507,154	$ 1,109,766	$ 139,742	$ 495,929	$ 1,745,437	$ (140,745)	$ -	$ (142,096)	$ (282,841)	$ -	$ 3,763,588	$ -	$ 3,763,588

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

SILITECH TECHNOLOGY CORPORATION AND 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		
Income (loss) before income tax	$ 43,055	$ (88,843)
Adjustments for:		
Depreciation expenses	88,540	134,903
Amortization expenses	2,670	3,164
Impairment loss recognized on trade receivables	-	488
Expected credit gain reversed on trade receivables	(2,570)	-
Net gain on fair value change of financial assets as at FVTPL	(921)	(4,873)
Finance costs	-	11,083
Interest income	(58,387)	(61,422)
Dividend income	(13,138)	(12,002)
Share of profit of associates	337	(2,323)
Net loss (gain) on disposal of property, plant and equipment	24,564	(12,179)
Net loss on disposal of subsidiaries	26	-
Net gain on disposal of non-current asset held for sale	(162,819)	-
Impairment loss recognized on property, plant and equipment	56,904	-
Net loss on disposal of inventories	6,640	657
Changes in operating assets and liabilities		
Financial assets held for trading	(98)	4,116
Financial assets mandatorily classified as at FVTPL	162	-
Notes receivable	46	(46)
Trade receivables	(52,048)	(182,791)
Trade receivables from related parties	72	1,671
Other receivables	(17,511)	23,379
Other receivables from related parties	(1,740)	1,479
Inventories	(73,665)	(8,947)
Other current assets	26,343	(38,048)
Financial liabilities held for trading	-	(315)
Notes payable	(18,618)	13,974
Trade payables	(38,565)	88,632
Trade payables to related parties	1,253	909
Other payables	(41,560)	(4,618)
Other payables to related parties	(1,545)	5,086
Provisions	(2,129)	2,410
Other current liabilities	(13,371)	(12,067)
Net defined benefit liabilities	(14,660)	3,639
Cash used in operations	(262,733)	(132,884)
Interest received	30,435	33,229
Dividends received	13,807	12,534
Interest paid	-	(11,959)
Income tax paid	(80,514)	(55,488)
Net cash used in operating activities	(299,005)	(154,568)

(Continued)

SILITECH TECHNOLOGY CORPORATION AND 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		
Purchase of financial assets at amortized cost	$ (2,235,066)	$ -
Proceeds from sale of financial assets at amortized cost	3,009,589	-
Net loss on disposal of subsidiaries	(26)	-
Proceeds from disposal of non-current assets held for sale	602,067	-
Purchase of debt investments with no active market	-	(3,047,256)
Proceeds from sale of debt investments with no active market	-	3,088,542
Payments for property, plant and equipment	(129,143)	(109,980)
Proceeds from disposal of property, plant and equipment	2,563	19,091
Decrease in refundable deposits	3,958	97
Payments for intangible assets	(5,128)	(1,918)
Net cash generated from (used in) investing activities	1,248,814	(51,424)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	-	(1,440,000)
Proceeds from guarantee deposits received	(50)	(2)
Decrease in non-controlling interest	(1,188)	-
Net cash used in financing activities	(1,238)	(1,440,002)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	(406)	(46,278)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	948,165	(1,692,272)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	1,712,305	3,404,577
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 2,660,470	$ 1,712,305

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

SILITECH TECHNOLOGY CORPORATION AND 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. GENERAL INFORMATION

Silitech Technology Corporation (the "Parent Company") was established in October 2001, and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Parent Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Parent Company will generally accept the rubber division of Silitek Corporation (the "division"). The proposal was approved in the shareholders' meeting on May 17, 2002. The Parent Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") are presented in the Parent Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Parent Company's board of directors and authorized for issue on February 25, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

      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. Refer to Note 4 for information relating to the relevant accounting policies.

      <u>Classification, measurement, and impairment of financial assets</u>

      On the basis of the facts and circumstances that exist as of January 1, 2017, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Note**
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	$ 11,165	$ 11,165	a)
Mutual funds	Available-for-sale	Mandatorily at fair value through profit or loss (FVTPL)	27,354	27,354	b)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	15,941	15,941	c)
Restricted assets	Loans and receivables	Amortized cost	766,844	766,844	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Note
FVTPL	$ 757					
Add: Reclassification from available-for-sale (IAS 39)	-	$ 27,354				
	757	27,354	$ 28,111	$ -	$ -	b)
FVTOCI						
Equity instruments	-					
Add: Reclassification from available-for-sale (IAS 39)	-	11,165				
	-	11,165	11,165	138,300	(138,300)	a)
Amortized cost						
Add: Reclassification from loans and receivables (IAS 39)	-	782,785				
	-	782,785	782,785	-	-	c)
Investments accounted for using the equity method	-	-	-	83	(83)	d)
	$ 757	$ 821,304	$ 822,061	$ 138,383	$ (138,383)	

a) The Group recognized under IAS 39 impairment loss on certain investments in equity securities 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 $138,300 thousand in other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $138,300 thousand in retained earnings on January 1, 2018.

b) Mutual funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding and they are not equity instruments.

c) Debt investments previously classified as debt instruments with no active market and measured at amortized cost under IAS 39 are classified as measured 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.

d) As a result of retrospective application of IFRS 9 by associates, there was a decrease in other equity - unrealized gain (loss) on available-for-sale financial assets of $205 thousand, an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of $122 thousand and an increase in retained earnings of $83 thousand on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

The Group performed a preliminary assessment and recognized revenue based on the facts and circumstances as of January 1, 2018, and the recognition and measurement did not change upon the application of IFRS 15.

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by 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 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 2018.

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

● IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and 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 or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments 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 will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized 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 with the application of 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. 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) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amounts of the leased assets and finance lease payables as of December 31, 2018.

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	$ -	$ 93,732	$ 93,732
Total effect on assets	$ -	$ 93,732	$ 93,732
Lease liabilities - current	$ -	$ 60,627	$ 60,627
Lease liabilities - non-current	-	48,011	48,011
Total effect on assets	$ -	$ 108,638	$ 108,638
Retained earnings	$ 1,745,437	$ (14,906)	$ 1,730,531
Total effect on equity	$ 1,745,437	$ (14,906)	$ 1,730,531

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 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 on or 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and the entities controlled by the Parent Company (i.e. its subsidiaries). Income and expenses of the subsidiaries acquired or disposed of during the period are included in the consolidated statements of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Parent Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Parent Company.

See Note 15 and Table 7 for detailed information on the subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group, transactions in currencies other than the entity's functional currency (i.e. 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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 on 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 case, 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 not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the Parent Company and the Group (including subsidiaries and associates that use currencies which are different from the currency of the Parent Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Parent Company and non-controlling interests as appropriate).

f. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average cost on the balance sheet date.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

The unrealized profit or loss downstream transactions between the Parent Company and subsidiaries will be eliminated in financial statements. The profit or loss generated from sidestream and upstream transactions between the Parent Company and subsidiaries will be recognized in financial if only its uncorrelated with equity to subsidiaries.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of such assets 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. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

k. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

l. Financial instruments

Financial assets and financial liabilities are recognized 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 an acquisition or issuance 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

<u>2018</u>

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

i. Financial assets at FVTPL

A financial asset is classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

ii. Financial assets at amortized cost

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

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 and trade receivables, at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using 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 gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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.

iii. 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 as 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, it 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: Financial assets at FVTPL, available-for-sale financial assets and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss, including dividends and interest. See Note 30 (financial instruments) for remeasurement of fair value.

ii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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 investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market and trade receivables) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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) Impairment of financial assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost including trade receivables.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs 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 gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment 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 at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 such the financial assets, the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they are not assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 240 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's 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 will not be reversed in subsequent periods.

The carrying amount of a 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. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 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 an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Parent Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Parent Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including forward exchange contracts.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

n. Revenue recognition

2018

The Group identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

Sale of goods

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

   Revenue from the sale of goods is recognized when 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.

2) 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.

o. Employee benefits

1) 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 the related service.

2) Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

p. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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, unused loss carryforwards to the extent 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 and associates and interests in joint arrangements, 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 and interests 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 period in which the liabilities are settled or the assets are 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 taxes for the year

Current and deferred taxes 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 taxes 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 Group's accounting policies, management is required to make judgments, estimations, 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 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Group monitors financial assets at amortized cost or at FVTOCI, and when assets are derecognized prior to their maturity, the Group understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Group’s continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model, such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on the assumptions about the risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9 and 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 424	$ 567
Checking accounts and demand deposits	332,401	886,583
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	2,327,645	825,155
	$ 2,660,470	$ 1,712,305

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

	December 31	
	2018	2017
Time deposits	0.55%-3.6%	0.50%-3.80%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	$ 1,614	$ 757
Financial assets at FVTPL - non-current		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Mutual funds	$ 28,103	$ -

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

	Currency	Maturity Date	Notional Amount (In Thousands)
December 31, 2018			
Forward exchange contracts	USD/MYR	2019.01.07-2019.03.06	USD1,980/MYR8,267
	EUR/MYR	2019.01.25-2019.03.27	EUR310/MYR1,488
	USD/RMB	2019.01.14-2019.02.15	USD3,000/RMB20,758
December 31, 2017			
Forward exchange contracts	USD/MYR	2018.01.08-2018.03.08	USD1,050/MYR4,379
	EUR/MYR	2018.02.26-2018.03.26	EUR150/MYR735

The Group entered into forward exchange contracts to manage their exposures to risk arising from the exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted ordinary shares	$ 7,308

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 10 for information related to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Restricted bank deposits (a)	$ 22,416
Time deposits with original maturities of more than 3 months (b and c)	15,733
	$ 38,149

a. Restricted bank deposits mainly refer to bank deposit products, which are measured at amortized cost; the products shall not be paid or redeemed within the contract period.

b. As of December 31, 2018, the interest rate range for time deposits with original maturities of more than 3 months was 1.43%. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 11 for information related to their reclassification and comparative information for 2017.

c. Refer to Note 32 for information related to investments in financial assets at amortized cost pledged as security.

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 11,165
Mutual funds	27,354
	$ 38,519
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 38,519

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Group recognized impairment loss of financial assets measured at cost of $138,300 thousand on December 31, 2017, due to the fact that their investments in unlisted shares continued to result in losses and the value of held investments was already impaired, therefore the difference between the carrying amount and the amount recoverable was recognized as a loss.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET-2017

	December 31, 2017
Restricted bank deposits (a)	$ 766,844
Time deposits with original maturities of more than 3 months (b and c)	15,941
	$ 782,785

a. Restricted bank deposits mainly refer to bank deposit products which are measured at amortized cost; the products shall not be paid or redeemed within the contract period.

b. As of December 31, 2017, the interest rate ranges for time deposits with original maturities of more than 3 months were 1.43%-2.25%, at the end of the reporting periods.

c. Refer to Note 32 for information on assets pledged as collateral or for security.

12. NOTES RECEIVABLES AND TRADE RECEIVABLES

	December 31	
	2018	2017
Other notes receivable		
At amortized cost		
Gross carrying amount	$ 316,067	$ -
Less: Allowance for impairment loss	-	-
	$ 316,067	$ -
Notes receivable - non-operating	$ 316,067	$ -

The Group signed at contract selling property, plants and equipment and investment properties in Suzhou for RMB235,000 thousand with Suzhou Xu Die Industrial Co., Ltd. on July 19, 2018. According to the contract, the third collection was RMB 70,500 thousand and was recognized as other notes receivable.

	December 31	
	2018	2017
Trade receivables		
At amortized cost		
Gross carrying amount	$ 530,718	$ 477,880
Less: Allowance for impairment loss	(3,378)	(5,086)
	$ 527,340	$ 472,794

In 2018

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Parent Company has regularly evaluated for credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

The Group writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, or whichever occurs earlier. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 210 Days	Over 210 Days	Total
Expected credit loss rate	-	0.24%	-	100%	
Gross carrying amount	$507,558	$ 19,830	$ -	$ 3,330	$530,718
Loss allowance (Lifetime ECLs)	-	(48)	-	(3,330)	(3,378)
Amortized cost	$507,558	$ 19,782	$ -	$ -	$527,340

The movements of the loss allowance of trade receivables are as follows:

	2018
Balance at January 1 per IAS 39	$ 5,086
Adjustment on initial application of IFRS 9	-
Balance at January 1 per IFRS 9	5,086
Add: Amounts recovered	927
Less: Net re-measurement of loss allowance	(2,570)
Foreign exchange translation	(65)
Balance at December 31	$ 3,378

In 2017

The Group applied the same credit policy in 2018 and 2017. The Group determined the average credit period of sales of goods as 60-90 days. The Group recognized an allowance for 100% impairment loss against all receivables over 240 days past due because historical experience shows that receivables that are past due beyond 240 days are not recoverable. Allowance for impairment loss was recognized against trade receivables past due between 1 and 240 days based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions. As of December 31, 2017, impairment losses based on past due or impaired trade receivables are fully recognized.

The aging of receivables is as follows:

	December 31, 2017
Not overdue	$ 467,188
Overdue	
1-60 days	6,941
61-210 days	60
211-240 days	-
Over 240 days	3,691
	$ 477,880

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful trade receivables are as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 3,461	$ 581	$ 4,042
Add: Amounts written off during the year as uncollectible	292	819	1,111
Add: Amounts recovered from the prior year write-offs	-	6	6
Foreign exchange translation gains and losses	(62)	(11)	(73)
Balance at December 31, 2017	$ 3,691	$ 1,395	$ 5,086

13. INVENTORIES, NET

	December 31	
	2018	2017
Raw materials	$ 61,882	$ 30,262
Work in progress	40,919	34,901
Finished goods	64,398	54,591
Merchandise	16,214	-
Inventory in transit	4,337	971
	$ 187,750	$ 120,725

The cost of inventories recognized as cost of goods sold included the inventory write-downs (reversals) and disposals.

	For the Year Ended December 31	
	2018	2017
Inventory write-downs (reversals)	$ (5,118)	$ (325)
Loss of inventory scrapped	6,640	657

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

14. NON-CURRENT ASSETS HELD FOR SALE

	December 31	
	2018	2017
Land use rights held for sale	$ -	$ 29,948
Property, plant and equipment held for sale	-	385,601
Investment properties held for sale	-	399,594
	$ -	$ 815,143

The Group signed at contract selling property, plants and equipment and investment properties in Suzhou for RMB235,000 thousand with Suzhou Xu Die Industrial Co., Ltd. on July 19, 2018. As of December 31, 2018, the transfer of these assets has been completed and recognized gain on disposal of non-current assets for NTD 153,905 thousand. When the Group classified property, plant and equipment and investment properties into non-current assets held for sale, no impairment loss was recognized as the fair values of the assets were higher than their carrying values.

15. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership December 31 2018	% of Ownership December 31 2017	Remark
The Parent Company	Silitech (BVI) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Investment activities	100.00	100.00	-
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech Technology Corp. Sdn. Bhd.	Manufacture of plastic and computer peripheral products	100.00	100.00	-
	Silitech (Hong Kong) Holding Ltd.	Investment activities	100.00	100.00	-
	Silitech International (India) Private Limited	Development, manufacture and sale of automotive parts	-	100.00	a.
Silitech (Hong Kong) Holding Ltd.	Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of rubber assembly and automotive parts	100.00	100.00	-
Silitech Technology Corporation Limited	Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assembly	100.00	100.00	-
	Suzhou Xulong Mold Producing Co., Ltd.	Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits)	-	60.00	b.

Remark:

a. Dissolved in October 2018.

b. Dissolved in May 2018.

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in Associates

	December 31 2018	December 31 2017
Lite-On Japan Ltd.	$ 71,176	$ 70,592

Name of Company	Proportion of Ownership and Voting Rights December 31 2018	Proportion of Ownership and Voting Rights December 31 2017
Lite-On Japan Ltd.	7.87%	7.87%

Refer to Table 7 “Information on Investees” for the nature of activities, principal places of business and countries of incorporation of the associates.

According to the judgment of the Group’s management, the Group has significant influence on Lite-On Japan Ltd. to adopt the equity method.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associate’s financial statements which have been audited for the same years.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	December 31 2018	December 31 2017
Lite-On Japan Ltd.	$ 45,718	$ 77,674

Summarized financial information in respect of each of the Group's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Lite-On Japan Ltd.

	December 31 2018	December 31 2017
Current assets	$ 1,647,044	$ 1,680,310
Non-current assets	105,209	163,850
Current liabilities	(948,086)	(1,050,484)
Non-current liabilities	(73,503)	(70,432)
Equity	$ 730,664	$ 723,244
Proportion of the Group's ownership	7.87%	7.87%
Equity attributable to the Group	$ 57,526	$ 56,942
Goodwill	13,650	13,650
Carrying amount	$ 71,176	$ 70,592

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Operating revenue	$ 3,741,635	$ 3,655,636
Net profit (loss) for the year	$ (4,732)	$ 29,059
Other comprehensive income (loss)	(14,028)	515
Total comprehensive income (loss) for the year	$ (18,760)	$ 29,574
Dividends received from Lite-On Japan, Ltd.	$ 669	$ 532

17. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Equipment Held under Finance Leases	Office Equipment	Other Equipment	Total
Cost									
Balance at January 1, 2017	$ 43,134	$ 1,007,102	$ 1,498,713	$ 172,574	$ 14,994	$ 429,322	$ 131,998	$ 146,593	$ 3,444,430
Additions	-	6,523	51,020	5,182	-	44,475	8,928	3,349	119,477
Disposals	-	(9,087)	(128,029)	(11,206)	(688)	(962)	(12,147)	(8,768)	(170,887)
Reclassified as held for sale (Note 14)	-	(679,827)	(194,401)	(1,107)	(287)	-	(17,653)	(121,424)	(1,014,699)
Effects of foreign currency exchange differences	648	(10,116)	(17,132)	(1,137)	(75)	(7,459)	(626)	(2,532)	(38,429)
Balance at December 31, 2017	$ 43,782	$ 314,595	$ 1,210,171	$ 164,306	$ 13,944	$ 465,376	$ 110,500	$ 17,218	$ 2,339,892

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Equipment Held under Finance Leases	Office Equipment	Other Equipment	Total
Accumulated depreciation									
Balance at January 1, 2017	$ -	$ 482,714	$ 982,897	$ 133,389	$ 12,727	$ 294,652	$ 115,835	$ 88,493	$ 2,110,707
Disposals	-	(3,953)	(67,397)	(9,842)	(473)	(962)	(11,167)	(5,478)	(99,272)
Reclassified as held for sale (Note 14)	-	(294,226)	(113,300)	(562)	(60)	-	(14,470)	(70,775)	(493,393)
Depreciation expenses	-	31,458	55,500	6,881	816	12,393	4,329	1,548	112,925
Effects of foreign currency exchange differences	-	(3,351)	(9,461)	(625)	(23)	(5,330)	(653)	(1,511)	(20,954)
Balance at December 31, 2017	$ -	$ 212,642	$ 848,239	$ 129,241	$ 12,987	$ 300,753	$ 93,874	$ 12,277	$ 1,610,013
Accumulated impairment									
Balance at January 1, 2017	$ -	$ 1,155	$ 259,955	$ 16,846	$ 453	$ 38,786	$ 5,369	$ 56,823	$ 379,387
Disposals	-	-	(54,279)	(994)	(215)	-	(805)	(3,277)	(59,570)
Reclassified as held for sale	-	-	(81,101)	(545)	(227)	-	(3,184)	(50,648)	(135,705)
Impairment losses	-	-	-	-	-	-	-	-	-
Effects of foreign currency exchange differences	-	-	(4,259)	(179)	(11)	(719)	(95)	(1,057)	(6,320)
Balance at December 31, 2017	$ -	$ 1,155	$ 120,316	$ 15,128	$ -	$ 38,067	$ 1,285	$ 1,841	$ 177,792
Net balance at December 31, 2017	$ 43,782	$ 100,798	$ 241,616	$ 19,937	$ 957	$ 126,556	$ 15,341	$ 3,100	$ 552,087
Cost									
Balance at January 1, 2018	$ 43,782	$ 314,595	$ 1,210,171	$ 164,306	$ 13,944	$ 465,376	$ 110,500	$ 17,218	$ 2,339,892
Additions	-	750	72,521	8,926	-	21,760	22,335	1,585	127,877
Disposals	-	-	(215,521)	(16,308)	-	(4,738)	(14,324)	(398)	(251,289)
Effects of foreign currency exchange differences	208	895	(12,355)	(1,239)	(104)	(9,364)	(686)	(42)	(22,687)
Balance at December 31, 2018	$ 43,990	$ 316,240	$ 1,054,816	$ 155,685	$ 13,840	$ 473,034	$ 117,825	$ 18,363	$ 2,193,793
Accumulated depreciation									
Balance at January 1, 2018	$ -	$ 212,642	$ 848,239	$ 129,241	$ 12,987	$ 300,753	$ 93,874	$ 12,277	$ 1,610,013
Disposals	-	-	(191,858)	(14,364)	-	(4,341)	(13,179)	(359)	(224,101)
Depreciation expenses	-	8,320	47,889	5,341	497	17,941	6,771	1,781	88,540
Effects of foreign currency exchange differences	-	413	(7,383)	(715)	(92)	(6,090)	(426)	(45)	(14,338)
Balance at December 31, 2018	$ -	$ 221,375	$ 696,887	$ 119,503	$ 13,392	$ 308,263	$ 87,040	$ 13,654	$ 1,460,114
Accumulated impairment									
Balance at January 1, 2018	$ -	$ 1,155	$ 120,316	$ 15,128	$ -	$ 38,067	$ 1,285	$ 1,841	$ 177,792
Disposals	-	-	(44)	(4)	-	-	(12)	-	(60)
Impairment losses	-	-	33,511	2,616	155	18,381	2,057	184	56,904
Effects of foreign currency exchange differences	-	-	(1,837)	(212)	(2)	(1,022)	(40)	(4)	(3,117)
Balance at December 31, 2018	$ -	$ 1,155	$ 151,946	$ 17,528	$ 153	$ 55,426	$ 3,290	$ 2,021	$ 231,519
Net balance at December 31, 2018	$ 43,990	$ 93,710	$ 205,983	$ 18,654	$ 295	$ 109,345	$ 27,495	$ 2,688	$ 502,160

(Concluded)

As a result of the life cycle of some products, the estimated future cash flows from the related equipment were decreased due to idling cause by insufficient productivity. The Group carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2018 and 2017, the accumulated impairment losses recognized were $231,519 thousand and $177,792 thousand, respectively. For the years ended December 31, 2018 and 2017, the accumulated impairment amount decreased due to disposal of equipment and were $60 thousand and $59,570 thousand.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant structures	20-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	4-5 years
Equipment held under finance leases	5-10 years
Office equipment	3-10 years
Other equipment	2-20 years

The property, plant and equipment located in Suzhou and held by the Group was reclassified to non-current assets held for sale ended December 31, 2017.

18. INVESTMENT PROPERTIES, NET

	Completed Investment Properties
Cost	
Balance at January 1, 2017	$ 669,502
Transferred to non-current assets held for sale (Note 14)	(657,093)
Effect of foreign currency exchange differences	(12,409)
Balance at December 31, 2017	$ -
Accumulated depreciation	
Balance at January 1, 2017	$ 239,712
Transferred to non-current assets held for sale (Note 14)	(257,499)
Depreciation expense	21,978
Effect of foreign currency exchange differences	(4,191)
Balance at December 31, 2017	$ -
Balance at December 31, 2017, net	$ -

The investment properties held by the Group are depreciated using the straight-line method over their estimated useful lives of 20 years.

All of the Group's investment properties were held under freehold interests. The investment property located in Suzhou and held by the Group was reclassified to non-current assets held for sale ended December 31**, 2017.**

19. OTHER ASSETS

	December 31	
	2018	2017
Current		
Prepayments for tax	$ 20,048	$ 19,544
Input tax	16,908	30,800
Others	41,730	54,685
	$ 78,686	$ 105,029
Non-current		
Prepayment for equipment	$ 17,631	$ 15,517

The property, plant and equipment and land use rights located in Suzhou and held by the Group were reclassified to non-current assets held for sale for the three months ended December 31, 2017.

20. OTHER PAYABLES

	December 31	
	2018	2017
Payroll	$ 119,595	$ 145,219
Tooling	52,021	49,046
Commission	51,110	1,328
Equipment	31,744	30,917
Employee leave	16,202	15,044
Services	12,585	12,627
Utilities/post and telecommunications	8,437	9,775
Others	115,649	134,862
	$ 407,343	$ 398,818

21. PROVISIONS

	December 31	
	2018	2017
Current		
Returns and allowance	$ 508	$ 2,637

The provision of customer returns and allowance was based on historical experience, management's judgments and other known reasons estimated product returns and allowance may occur in the year. The provision was recognized as a reduction of operating income in the periods of the related goods sold.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Parent Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Parent Company contribute amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The subsidiaries - Silitech Technology Corp. Sdn. Bhd adopted the defined benefit plan.

The amounts included in the balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 100,134	$ 93,300
Fair value of plan assets	(34,897)	(14,367)
Net defined benefit liabilities	$ 65,237	$ 78,933

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liabilities**
Balance at January 1, 2017	$ 82,852	$ (12,704)	$ 70,148
Current service cost	3,339	-	3,339
Net interest expense (income)	1,611	(169)	1,442
Recognized in profit or loss	4,950	(169)	4,781
Remeasurement			
Return on plan assets	-	42	42
Actuarial loss - changes in demographic assumptions	3,906	-	3,906
Actuarial loss - changes in financial assumptions	1,721	-	1,721
Actuarial gain - experience adjustments	(524)	-	(524)
Recognized in other comprehensive loss	5,103	42	5,145
Contributions from the employer	-	(1,536)	(1,536)
Exchange differences on foreign plans	395	-	395
Balance at December 31, 2017	93,300	(14,367)	78,933
Current service cost	3,535	-	3,535
Net interest expense (income)	1,752	(170)	1,582
Recognized in profit or loss	5,287	(170)	5,117
Remeasurement			
Return on plan assets	-	(484)	(484)
Actuarial loss - changes in demographic assumptions	2,655	-	2,655
Actuarial loss - changes in financial assumptions	872	-	872
Actuarial gain - experience adjustments	(2,080)	-	(2,080)
Recognized in other comprehensive income (loss)	1,447	(484)	963
Contributions from the employer	-	(19,876)	(19,876)
Exchange differences on foreign plans	100	-	100
Balance at December 31, 2018	$ 100,134	$ (34,897)	$ 65,237

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 2,344	$ 2,037
Selling and marketing expenses	643	621
General and administrative expenses	1,456	1,487
Research and development expenses	674	636
	$ 5,117	$ 4,781

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate(s)	1%-4.375%	1.125%-4.375%
Expected rate(s) of salary increase	3%-4.75%	3%-4.75%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (2,413)	$ (2,364)
0.25% decrease	$ 2,499	$ 2,451
Expected rate(s) of salary increase		
0.25% increase	$ 2,423	$ 2,378
0.25% decrease	$ (2,352)	$ (2,306)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,624	$ 1,495
The average duration of the defined benefit obligation	9.5-13.8 years	10.1-14.4 years

23. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	**2017**
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	179,384	189,384
Amount of shares issued	$ 1,793,838	$ 1,893,838

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 507,154	$ 535,425

Such capital surplus may be used to offset a deficit; in addition, when the Parent Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Parent Company's capital surplus and only once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, when there is net profit after tax upon the final settlement of accounts of each fiscal year, the Parent Company shall first offset any previous accumulated losses and set aside a legal reserve of 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Parent Company, and set aside a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings, shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval.

For policies on the distribution of employees' compensation and remuneration of directors before and after the amendment, refer to Note 28 (b): Employee benefits expense.

The Parent Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. The Parent Company shall distribute cash dividends at no less than 10% of the total dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Parent Company's paid-in capital. Legal reserve may be used to offset deficits. If the Parent Company has no deficit and the legal reserve has exceeded 25% of the Parent Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Parent Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 12, 2018 and June 13, 2017, respectively, are as follows:

	Appropriation of Earnings	
	2017	**2016**
Special reserve	$ 52,568	$ 87,174

The Parent Company reported a net loss in 2018; hence, no appropriations were proposed by the board of directors on February 25, 2019. However, the Parent Company will appropriate a special reserve of $143,099 thousand under regulations.

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 12, 2019.

d. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2017	10,000
Increase during the year	-
Number of shares at December 31, 2017	10,000
Number of shares at January 1, 2018	10,000
Decrease during the year	(10,000)
Number of shares at December 31, 2018	-

Under the Securities and Exchange Act, the Parent Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The repurchased ordinary shares for transfer to employees have expired and have not been transferred. The Parent Company's board of directors approved the retirement of 10,000 thousand treasury shares on July 26, 2018. The record date for capital reduction was July 27, 2018.

On February 25, 2019, the board of directors resolved to reduce the capital and refund cash to shareholders. The capital reduction was $1,193,838 thousand, which cancelled 119,384 thousand ordinary shares and reduced capital by 66.552167%.

24. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as “product sales revenue”. The Parent Company's core technology is to the integrate rubber, plastic, optical and other components, which are widely used in industries and products such as institutional integration components and automotive components.

25. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
From bank deposits	$ 28,020	$ 61,422
From financial assets at amortized cost	30,367	-
Rental income	1,442	1,807
Dividend income	13,138	12,002
Others	21,490	19,486
	$ 94,457	$ 94,717

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Disposal of property, plant and equipment	$ (24,564)	$ 12,179
Disposal of held for sale assets	162,819	-
Foreign currency exchange	11,872	(82,733)
Net gain on financial assets		
Financial assets held for trading	759	4,873
Financial assets mandatorily classified as at FVTPL	162	-
Others	6,067	17,939
	$ 157,115	$ (47,742)

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 112,556	$ 59,062
Foreign exchange losses	(100,684)	(141,795)
	$ 11,872	$ (82,733)

26. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax expense (benefit) are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 79,744	$ 30,993
Adjustments for prior year	1,081	615
	80,825	31,608
Deferred tax		
In respect of the current year	(3,201)	(38,346)
Effect on tax rate change	(753)	-
	(3,954)	(38,346)
Income tax expense (benefit) recognized in profit or loss	$ 76,871	$ (6,738)

A reconciliation of accounting profit and income tax expense (benefit) as follows:

	For the Year Ended December 31	
	2018	2017
Income (loss) before Income tax	$ 43,055	$ (88,843)
Income tax expense (benefit) calculated at the statutory rate	$ 31,111	$ (8,221)
Nondeductible items in determining taxable income	10,056	4,385
Tax-exempt income	(4,572)	(7,701)
Land value increment tax	52,132	-
Unrecognized loss carryforwards/deductible temporary differences	(16,136)	4,184
Effect on tax rate change	(753)	-
Adjustments for prior year	1,081	615
Other	3,952	-
Income tax expense (benefit) recognized in profit or loss	$ 76,871	$ (6,738)

In 2017, the applicable corporate income tax rate used by the Group in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 15%. Tax rates used by other groups operating in other jurisdictions are based on the tax laws in those jurisdictions.

The subsidiary, Xurong Electronic (Shenzhen) Ltd., qualified as a “national high-tech industrial enterprise” in China, hence corporate income tax was reduced from 25% to 15% starting from 2015.

b. Current tax assets and liabilities

	December 31 2018	2017
Current tax assets		
Tax refund receivable	$ 495	$ 968
Current tax liabilities		
Income tax payable	$ 2,746	$ 2,908

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 2,413	$ (948)	$ -	$ 1,465
Unrealized exchange loss	307	(70)	-	237
Defined benefit obligation	14,259	(1,452)	965	13,772
Payables for annual leave	868	204	-	1,072
Loss carryforwards	68,881	10,555	-	79,436
Exchange differences on translating the financial statements of foreign operations	28,664	-	6,522	35,186
Others	15,937	(7,438)	(15)	8,484
	$ 131,329	$ 851	$ 7,472	$ 139,652
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 408	$ (151)	$ -	$ 257
Land value increment tax	9,477	-	-	9,477
Unappropriated earnings of subsidiaries	26,575	(2,952)	-	23,623
	$ 36,460	$ (3,103)	$ -	$ 33,357

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 2,446	$ (33)	$ -	$ 2,413
Unrealized exchange loss	578	(271)	-	307
Defined benefit obligation	12,948	318	993	14,259
Payables for annual leave	1,279	(411)	-	868
Loss carryforwards	22,920	45,961	-	68,881

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Exchange differences on translating the financial statements of foreign operations	$ 17,879	$ -	$ 10,785	$ 28,664
Others	13,289	2,648	-	15,937
	$ 71,339	$ 48,212	$ 11,778	$ 131,329
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 813	$ (405)	$ -	$ 408
Land value increment tax	9,477	-	-	9,477
Unappropriated earnings of subsidiaries	16,304	10,271	-	26,575
	$ 26,594	$ 9,866	$ -	$ 36,460

(Concluded)

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expire in 2017	$ -	$ 12,801
Expire in 2018	-	10,500
Expire in 2019	214,152	301,750
Expire in 2020	631,806	708,057
Expire in 2021	76,981	78,517
Expire in 2022	72,491	13,985
Expire in 2023	140,094	-
Expire in 2028	38,727	-
	$ 1,174,251	$ 1,125,610
Deductible temporary differences		
Impairment loss of property, plant and equipment	$ 122,968	$ 194,807

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expire Year
$ 214,152	2019
631,806	2020
76,981	2021
72,491	2022
186,897	2023
146,510	2027
38,727	2028
$ 1,367,564	

f. Income tax assessments

The income tax returns of the Parent Company for all years through 2016 have been assessed by the tax authorities.

27. LOSS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic loss per share	$ (0.19)	$ (0.46)
Diluted loss per share	$ (0.19)	$ (0.46)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Year Ended December 31	
	2018	2017
Net loss for the year		
Loss for the year attributable to owners of the Parent Company	$ (33,816)	$ (82,108)
Shares		
Weighted average number of ordinary shares used in the computation of basic Loss per share	179,384	179,384
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted Loss per share	179,384	179,384

If the Parent Company settles the bonuses or remuneration paid to employees in cash or shares, the Parent Company presumed that the entire amount of the bonuses or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

28. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 88,540	$ 112,925
Investment properties	-	21,978
Intangible assets	2,670	3,164
	$ 91,210	$ 138,067

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Recognized in operating costs	$ 68,248	$ 115,104
Recognized in operating expenses	20,292	19,799
	$ 88,540	$ 134,903
An analysis of amortization by function		
Recognized in operating costs	$ -	$ 560
Recognized in operating expenses	2,670	2,604
	$ 2,670	$ 3,164

(Concluded)

b. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (Note 22)		
Defined contribution plans	$ 25,644	$ 25,171
Defined benefit plans	5,117	4,781
	30,761	29,952
Other employee benefits	887,679	835,528
	$ 918,440	$ 865,480
Employee benefits expense summarized by function		
Recognized in operating costs	$ 628,142	$ 597,993
Recognized in operating expenses	290,298	267,487
	$ 918,440	$ 865,480

In compliance with the Parent Company's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration to directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors.

As the Parent Company reported net losses for the years ended December 31, 2018 and 2017, no employees' compensation and remuneration to directors and supervisors were estimated.

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

Information on employees' compensation and remuneration of directors and supervisors resolved by the Parent Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

29. CAPITAL MANAGEMENT

The Group maintains its capital to suffice equipment improvement. In order to suffice future operating funds, capital expenditures, research and development costs, repayment of debt and appropriating of dividends over the following 12 months, the Group manages its capital to ensure financial resource and plan of operation capability.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 1,614	$ -	$ 1,614
Mutual funds	-	28,103	-	28,103
	$ -	$ 29,717	$ -	$ 29,717
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 7,308	$ 7,308

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative instruments	$ -	$ 757	$ -	$ 757

There were no transfers between Levels 1 and 2 as of the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

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

Financial Instruments	Valuation Techniques and Inputs
Derivative instruments - forward exchange contracts	Discounted cash flow: Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Mutual funds	Using the average price of observable similar market transactions or the price of similar tools provided by the mutual fund management company.

4) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as follows. An increase in long-term revenue growth rates or long-term pre-tax operating margins or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2018	2017
Financial assets		
FVTPL		
Held for trading (1)	$ 1,614	$ 757
Mandatorily at FVTPL	28,103	-
Loans and receivables (2)	-	3,013,439
Available-for-sale financial assets (3)	-	38,519
Financial assets at amortized cost (4)	3,706,041	-
Financial assets at FVTOCI	7,308	-
Financial liabilities		
Amortized cost (5)	706,588	731,122

1) The balances include the carrying amounts of held-for-trading financial assets measured at cost.

2) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, trade receivables, other receivables and guarantee deposits.

3) The balances include the carrying amounts of available-for-sale financial assets measured at cost.

4) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables, other receivables and guarantee deposits.

5) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Group is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Group's financial performance due to market fluctuation.

The Corporate Treasury function is reviewed by the Group's board of directors and audit committee in accordance with related rules and internal control systems. The Group should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Group entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Group's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Group to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (including forward exchange contracts and currency swap contracts). The Group could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Group's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

The carrying amounts of the Group's derivative financial instruments at the end of the reporting period are as follows:

	December 31	
	2018	**2017**
Assets		
USD	$ 1,504	$ 750
EUR	110	7

Sensitivity analysis

The Group was mainly affected by the USD and the RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the NTD against the USD and the RMB. The sensitivity analysis included only outstanding foreign currency denominated monetary items. A positive number below indicates an increase in pre-tax profit associated with the NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of the NTD against the USD and the RMB, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	USD Impact (i)		RMB Impact (ii)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Profit or loss	$ 11,401	$ 22,737	$ 6,759	$ 13,846

i. This was mainly attributable to the exposure on outstanding receivables and financial assets at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB in cash flow hedges at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because of market rate change. The impact on floating fair values of financial instruments and floating cash flows.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	$ 2,365,794	$ 1,607,940
Cash flow interest rate risk		
Financial assets	308,302	840,180

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Group's profit or loss are as follows:

	Market Rate Change Impact	
	2018	2017
Profit or loss	$ 308	$ 840

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business-related credit risk

To maintain the quality of receivables, the Group has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Group's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Group also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Group's concentration of credit risk of 77% and 79% of total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Group's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Group's Department of Finance. However, since the Group's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Group has financial flexibility.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 841,623	$ -	$ -	$ 762	$ 842,385
Variable interest rate liabilities	-	-	-	-	-
	$ 841,623	$ -	$ -	$ 762	$ 842,385

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years	Total
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 890,573	$ -	$ -	$ 812	$ 891,385
Variable interest rate liabilities	-	-	-	-	-
	$ 890,573	$ -	$ -	$ 812	$ 891,385

31. TRANSACTIONS WITH RELATED PARTIES

The Parent Company's parent is Lite-On Technology Corporation, and their ordinary shareholders of the Parent Company as of December 31, 2018 and 2017 are all 33.87%.

Balances and transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company, had been eliminated on consolidation and are not disclosed in this note. The details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Group
Lite-On Technology Corporation	The Parent Company's parent
Lite-On Japan Ltd.	Associate
Lite-On Electronics (Guangzhou) Limited	Subsidiary of Lite-On Technology Corporation
Lite-On Technology (Changzhou) Co., Ltd.	Subsidiary of Lite-On Technology Corporation
Lite-On Mobile India Private Limited	Subsidiary of Lite-On Technology Corporation
Lite-On Integrated Service Inc.	Subsidiary of Lite-On Technology Corporation
Chi Mei Mold Co., Ltd.	Other related party
Lite-On Semiconductor Corp.	Other related party
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party
Silport Travel Corp.	Related party in substance

b. Sales of goods

Item	Related Party Category	For the Year Ended December 31 2018	2017
Sales of goods	Associates	$ 13,024	$ 45,273
	The Parent Company's parent	1,316	-
	Other related parties	-	369
	Subsidiaries of Lite-On Technology Corporation	574	-
		$ 14,914	$ 45,642

The sale of goods to related parties were made at the Parent Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31 2018	2017
Other related parties	$ 3,740	$ 1,127

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31 2018	2017
Operating expenses	The Parent Company's parent	$ 4,368	$ 5,116
	Other related parties	3,865	14,506
	Related party in substance	1,346	1,681
	Subsidiaries of Lite-On Technology Corporation	841	1,000
		$ 10,420	$ 22,303
Other revenue	Other related parties	$ 2,457	$ 1,179
	Subsidiaries of Lite-On Technology Corporation	1,048	-
	The Parent Company's parent	409	296
		$ 3,914	$ 1,475

The Parent Company leases offices to Chi Mei Mold Co., Ltd. (other related party) for $119 thousand per month for the year 2018, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties

Item	Related Party Category	December 31 2018	2017
Trade receivables	Associates	$ 8,388	$ 9,116
	Subsidiaries of Lite-On Technology Corporation	656	-
		$ 9,044	$ 9,116
Other receivables	Subsidiaries of Lite-On Technology Corporation		
	Lite - On Mobile India Private Limited	$ 14,206	$ 13,826
	Subsidiaries of Lite-On Technology Corporation	85	-
	Other related parties	1,586	261
	Associates	144	1
	The Parent Company's parent	116	309
		$ 16,137	$ 14,397

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties (excluding loans to related parties)

Item	Related Party Category	December 31 2018	December 31 2017
Trade payables	Other related parties	$ 2,162	$ 909
Other payables	Other related parties	$ 7,893	$ 9,333
	The Parent Company's parent	1,522	1,633
	Related party in substance	93	78
	Subsidiaries of Lite-On Technology Corporation	67	76
		$ 9,575	$ 11,120

The outstanding trade payables from related parties are unsecured.

g. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 4,819	$ 4,771
Termination benefits	191	200
	$ 5,010	$ 4,971

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

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were pledged as collateral for local customs and operating leases.

	December 31 2018	December 31 2017
Pledged time deposits (classified as financial assets at amortized cost)	$ 15,733	$ -
Pledged time deposits (classified as debt instruments with no active market)	-	15,941
	$ 15,733	$ 15,941

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The Parent Company and Lite-On Technology Corporation signed a mutual contract regarding registrar inquiries and management services, and the payment of relevant expenses would be shared by both companies according to the agreed proportion stated in the contract.

b. Operating leases

The Group's subsidiary, Xurong Electronic (Shenzhen) Co., Ltd., signed an operating lease contract with other companies. The lease expires on August 31, 2020 and August 31, 2023, respectively, and the rent is paid monthly. Estimated future rental expenses are as follows:

Year	Amount
2019	RMB 14,402
2020	RMB 9,748
2021	RMB 440
2022	RMB 440
2023	RMB 293

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,219	30.6650 (USD:NTD)	$ 252,042
USD	18,356	6.8393 (USD:RMB)	562,885
USD	4,687	4.1460 (USD:MYR)	143,729
EUR	501	35.1574 (EUR:NTD)	17,605
EUR	97	7.8413 (EUR:RMB)	3,427
EUR	615	4.7534 (EUR:MYR)	21,637
JPY	6,163	0.2776 (JPY:NTD)	1,711
JPY	9,347	0.0619 (JPY:RMB)	2,595
RMB	499	4.4836 (RMB:NTD)	2,239
RMB	28,785	0.1462 (RMB:USD)	129,061
RMB	865	0.6062 (RMB:MYR)	3,880
HKD	453	0.8733 (HKD:RMB)	1,774
Non-monetary items			
Investments accounted for using the equity method			
JPY	256,398	0.2776 (JPY:NTD)	71,176
Financial liabilities			
Monetary items			
USD	8,334	30.6650 (USD:NTD)	255,558
USD	8,309	6.8393 (USD:RMB)	254,802
USD	2,203	4.1460 (USD:MYR)	67,565
EUR	39	35.1574 (EUR:NTD)	1,364
EUR	39	7.8413 (EUR:RMB)	1,364
EUR	59	4.7354 (EUR:MYR)	2,083
JPY	3,730	0.2776 (JPY:NTD)	1,036
JPY	3,730	0.0619 (JPY:RMB)	1,036

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 9,951	29.8480 (USD:NTD)	$ 297,024
USD	22,391	6.5291 (USD:RMB)	668,333
USD	3,974	4.0600 (USD:MYR)	118,626
EUR	389	35.6922 (EUR:NTD)	13,876
EUR	788	4.8549 (EUR:MYR)	28,108
JPY	18,172	0.2650 (JPY:NTD)	4,815
JPY	15,095	0.0580 (JPY:RMB)	4,000
RMB	32,598	4.5715 (RMB:NTD)	149,023
RMB	27,963	0.1532 (RMB:USD)	127,835
HKD	301	0.8355 (HKD:RMB)	1,151
Non-monetary items			
Investments accounted for using the equity method			
JPY	266,385	0.2650 (JPY:NTD)	70,592
Financial liabilities			
Monetary items			
USD	8,896	29.8480 (USD:NTD)	265,513
USD	9,915	6.5291 (USD:RMB)	295,953
USD	1,221	4.0600 (USD:MYR)	36,430
EUR	65	4.8549 (EUR:MYR)	2,323
JPY	7,332	0.2650 (JPY:NTD)	1,943
JPY	7,332	0.0580 (JPY:RMB)	1,943

The Group is mainly exposed to USD, EUR, MYR, RMB and JYP. The following information was aggregated by the functional currencies of the Group, and the exchange rates between the respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
NTD	1 (NTD:NTD)	$ (4,178)	1 (NTD:NTD)	$ (59,000)
USD	30.1843 (USD:NTD)	(6,016)	30.4436 (USD:NTD)	7,846
RMB	4.5518 (RMB:NTD)	19,749	4.5209 (RMB:NTD)	(21,544)
MYR	7.4917 (MYR:NTD)	2,317	7.0873 (MYR:NTD)	(10,035)
		$ 11,872		$ (82,733)

35. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: See Table 2 below.

5) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: See Table 3 below.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 4 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 5 below.

9) Trading in derivative instruments: See Note 7.

10) Intercompany relationships and significant intercompany transactions: See Table 6 below.

11) Information on investees: See Table 7 below.

b. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 8 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 9 below.

   a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

   b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

   c) The amount of property transactions and the amount of the resultant gains or losses.

   d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

36. SEGMENT INFORMATION

The Group is organized and managed as a single reportable business segment. The Group's main operations are the manufacture and sale of rubber products, and is considered a single segment. The basis of information reported to the chief operating decision maker is the same as the consolidated financial statements. Because the basis of segment information reported to the chief operating decision maker is the same as the consolidated financial statements, the segment revenue and results for the years ended December 31, 2018 and 2017 can be referred to in the consolidated statements of comprehensive income and the segment assets and liabilities as of December 31, 2018 and 2017 can be referred to in the consolidated balance sheets.

a. Geographical information

The Group operates in four principal geographical areas - China, India, Malaysia and Taiwan.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
China	$ 876,139	$ 964,792	$ 284,936	$ 356,628
Malaysia	222,808	118,961	178,032	156,717
Taiwan	258,373	258,250	62,342	61,315
The United States	381,791	365,100	-	-
India	137,059	116,880	-	-
Others	374,874	461,071	-	-
	$ 2,251,044	$ 2,285,054	$ 525,310	$ 574,660

Non-current assets include debt instruments with no active markets, property, plant and equipment, investment properties, intangible assets and other non-current assets.

b. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	2017
Customer A	$ 419,235	$ 581,096
Customer B	381,791	365,100
Customer C	(Note)	185,799

Note: Revenue less than 10% of the Group's revenue.

TABLE 1

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	Member of the board of directors	Financial assets at FVTOCI	1,300	$ 7,308	10.00	$ 7,308	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note
Silitech (Bermuda) Holding Ltd.	Fund							
	Innovation Works Development Fund, L.P.	-	Financial assets at FVTPL	-	US$ 916	-	US$ 916	

Note: The carrying values of financial instruments were all assessed for impairment.

TABLE 2

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty (Note)	Nature of Relationship (Note)	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount (Note)	Shares/Units (In Thousands)	Amount (Note)	Shares/Units (In Thousands)	Amount	Carrying Amount (Note)	Gain (Loss) on Disposal	Shares/Units (In Thousands)	Amount (Note)
Silitech Technology (Suzhou) Co., Ltd.	Fixed Income Instruments	Financial assets at amortized cost - current	-	-	-	$ 766,844 (RMB 167,700)	-	$ 2,235,066 (RMB 498,540)	-	$ 3,009,589 (RMB 667,953)	$ 2,979,494 (RMB 661,240)	$ 30,095 (RMB 6,713)	-	$ 22,416 (RMB 5,000)

Note: The amount stated was the original investment cost.

TABLE 3

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain (Loss) on Disposal	Counterparty	Relationship	Purpose of Disposal	Price Reference	Other Terms
Silitech Technology (Suzhou) Co., Ltd.	Tenure, property, plant and equipment and investment property in Suzhou City, Jiangsu Province	2018.07.19	2007.07	RMB 178,262	RMB 235,000	We already collected 90% of the transaction amount as of December 31, 2018. The remaining RMB23,500 thousand will be collected on March 4, 2019.	RMB 33,812	Suzhou Xu Die Industrial Co., Ltd.	N/A	Activated assets	Valuation report from Suzhou Suxin Zhongan Real Estate Appraisal and Consulting Co., Ltd. for RMB218,023 thousand Valuation report from Wuxi Zhonzheng Assets Appraisal Co., for RMB217,934 thousand	

TABLE 4

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	$ 708,578	85	90 days	No significant difference	90-120 days	$ (257,013)	82	Note
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US$ 23,253 JPY 11,150 EUR 78	98	90 days	No significant difference	60-120 days	US$ 8,303 JPY 3,730 EUR 39	100	Note
	Xurong Electronic (Shenzhen) Co., Ltd.	Subsidiary	Purchase	US$ 23,716 JPY 11,150 EUR 78	100	90 days	No significant difference	90-120 days	US$ (8,303) JPY (3,730) EUR (39)	100	Note
Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	Parent	Sale	US$ 23,716 JPY 11,150 EUR 78	66	90 days	No significant difference	60-90 days	US$ 8,303 JPY 3,730 EUR 39	80	Note

Note: All intercompany sales and purchases have been eliminated upon consolidation.

TABLE 5

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Inter-trade Receivables	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts	Note
					Amount	Action Taken			
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	US$ 8,303 JPY 3,730 EUR 39	2.72	$ -	-	US$ 2,200 JPY 404	$ -	Note
Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	Parent	US$ 8,303 JPY 3,730 EUR 39	2.78	-	-	US$ 2,200 JPY 403	-	Note

Note: All intercompany trade receivables have been eliminated upon consolidation.

TABLE 6

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Company Name	Counterparty	Nature of Relationship (Note 2)	Intercompany Transaction			
				Financial Statement Item	Amount	Terms	% of Consolidated Net Revenue or Total Assets (Note 3)
0	Silitech Technology Corporation	Silitech Technology Corporation Limited	a.	Purchases	$ 708,578	No significant difference	31
		Silitech Technology Corporation Limited	a.	Trade payable	257,013	No significant difference	5
1	Xurong Electronic (Shenzhen) Co., Ltd.	Silitech Technology Corporation Limited	c.	Trade receivable	256,989	No significant difference	5
		Silitech Technology Corporation Limited	c.	Sales	722,292	No significant difference	32

Note 1: The Parent Company and its subsidiaries are coded as follows:

a. The Parent Company is coded "0".
b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of relationships are coded as follows:

a. From the Parent Company to its subsidiary.
b. From a subsidiary to its Parent Company.
c. Between subsidiaries.

Note 3: The percentage calculation is based on the consolidated total operating revenue or total assets. For balance sheet items, each item's end-of-period balance is shown as a percentage to the consolidated total assets as of December 31, 2018. For profit or loss items, cumulative amounts are shown as percentages to consolidated total operating revenue for the year ended December 31, 2018.

Note 4: The table above only discloses related-party transactions which are material.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES ACCOUNTED FOR
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated 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
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US$ 95,182	US$ 95,182	95,182	100.00	$ 3,360,288	US$ 848	$ 25,397	Subsidiary, (Note 1)
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	JPY 197,040	JPY 197,040	980	7.87	71,176	JPY (17,352)	(337)	Accounted for using the equity method
Silitech (BVI) Holding Ltd.	Silitech (Bermuda) Holding Ltd.	Bermuda	Investment activities	US$ 95,132	US$ 95,132	95,132	100.00	US$ 109,524	US$ 850	N/A	Sub-subsidiary, (Note 1)
Silitech (Bermuda) Holding Ltd.	Silitech Technology Corporation Limited	Hong Kong	Manufacture of plastic and computer peripheral products	US$ 8,000	US$ 8,000	62,400	100.00	US$ 22,096	RMB (43,812)	N/A	Third-tier subsidiary, (Note 1)
	Silitech Technology Corporation Sdn. Bhd.	Malaysia	Manufacture of computer peripheral products	US$ 5,632	US$ 5,632	21,400	100.00	US$ 14,444	RM 11,944	N/A	Third-tier subsidiary, (Note 1)
	Silitech (Hong Kong) Holding Ltd.	Hong Kong	Investment activities	US$ 77,200	US$ 77,200	77,200	100.00	US$ 57,752	RMB 23,275	N/A	Third-tier subsidiary, (Note 1)
	Silitech International (India) Private Limited.	India	Development, manufacture and sale of automotive parts	US$ 3,002	US$ 3,002	4,173	100.00	US$ -	INR -	N/A	Third-tier subsidiary, (Note 3)

Note 1: All amounts have been eliminated upon consolidation.

Note 2: Refer to Table 8 for information on investments in mainland China.

Note 3: Liquidated and eliminated since October 2018.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assemblies	$ 85,862 (US$ 2,800)	Note 1	$ 203,354	$ -	$ -	$ 203,354	$ (202,669) (RMB -44,525)	100.00	$ (202,669) (RMB -44,525)	$ 619,030 (RMB 138,077)	$ 4,037,143 (US$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	827,955 (US$ 27,000)	Note 1	2,391,870 (US$ 78,000)	-	-	2,391,870 (US$ 78,000)	102,329 (RMB 22,481)	100.00	102,329 (RMB 22,481)	433,743 (RMB 96,748)	1,243,149 (US$ 8,796) (RMB 214,783)	(Note 6)

Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA (Note 4)	Upper Limit on Investment
$ 2,687,219 (Note 4) (US$ 81,000) ($ 203,354)	$ 2,837,631 (Note 4) (US$ 85,905) ($ 203,354)	$7,538,445 (Note 3)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.

Note 3: The Parent Company's upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation's net worth or consolidated worth of $80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $3,763,588 (net worth) × 60% ＋ $5,208,292 ＝ $7,538,445

Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC. are as follows:

Name of Investee	Order No.	Approved Amounts
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT$ 203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US$ 3,000
Silitech Technology (Suzhou) Co., Ltd.	09600170390	US$ 20,000
Silitech Technology (Suzhou) Co., Ltd.	09600164790	US$ 2,000
Silitech Technology (Suzhou) Co., Ltd.	09500326290	US$ 11,000
Silitech Technology (Suzhou) Co., Ltd.	09700434630	US$ 45,000
Silitech Plating (ShenZhen) Co., Ltd. (liquidated in September 2012)	09500004400	US$ 605
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US$ 1,200
Suzhou Xulong Mold Producing Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US$ 1,500
Silitech Surface Treatment (ShenZhen) Co., Ltd. (liquidated in December 2012)	09900449200	US$ 1,600

Note 5: Including accumulated investment of US$2,700 thousand which is not from Taiwan (ROC).

Note 6: Silitech Technology (Suzhou) Co., Ltd. original paid-in capital was US$78,000 thousand. On September 13, 2018, the board of directors decided to return US$51,000 thousand through cash reduction to upper level shareholders - Silitech (Hong Kong) Holding Ltd. The transfer of US$40,000 thousand was completed on December 31, 2018.

Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of $58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

Note 8: All intercompany investments have been eliminated upon consolidation.

SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Sale	$ 9,916	1	No significant difference	90 days	60-90 days	$ 1,730	1	$ -	-
	Purchase	708,578	85	No significant difference	90 days	90-120 days	(257,013)	82	185	-

Note: All intercompany transactions have been eliminated upon consolidation.

6.5 Financial Statements of 2018

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

For the year ended December 31, 2018, the key audit matters to the Company's financial statements were as follows:

<u>Allowance for Impairment Loss on Trade Receivables</u>

Due to high concentration of transactions among major clients, the management evaluated the allowance for bad debts from major clients. First, trade receivables were assessed for impairment individually, then, assessed the rest of receivables on a collective basis. As the provision for allowance for bad debts was based on the assumption of expected credit risk and involved significant judgments, when there is significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the allowance for bad debts as a key audit matter in our audit.

The audit procedures performed in respect of the management's assessment of trade receivable for impairment included the following:

1. Reviewed the historical trade receivable recovery records to analyze the allowance for bad debts. Based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable is reasonable. Furthermore, we referred to the payment records and other accessible customer information of the current year, and individually verified whether there is a significant amount of delayed payments to be recognized as impairment.

2. Evaluated the collectability of overdue trade receivables after the subsequent period in order to consider whether it can be recognized as extra allowance for bad debts.

3. Obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management, and tested the accuracy of the aging schedule in order to calculate the allowance for bad debts recognized by management.

For the policy of evaluating the impairment of trade receivables, refer to Note 4 to the financial statements. Refer to Notes 5 and 9 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Impairment Loss on Trade Receivables of Subsidiaries Accounted for Using the Equity Method

Due to high concentration of transactions among major clients, the management of subsidiaries evaluated the allowance for bad debts from major clients. First, trade receivables were assessed for impairment individually, then, assessed the rest of receivables on a collective basis. As the provision for allowance for bad debts was based on the assumption of expected credit risk and involved significant judgments, when there is significant reduction in the demand of the downstream clients, the collection of trade receivables from major clients may not be recovered because of financial difficulties. Therefore, we regard the allowance for bad debts as a key audit matter in our audit.

The audit procedures performed in respect of the subsidiaries management's assessment of trade receivables for impairment included the following:

1. Reviewed the historical trade receivable recovery records to analyze the allowance for bad debt. Based on the customer's historical payment records, we evaluated whether the collection rate of accounts receivable is reasonable. Furthermore, we referred to the payment records and other accessible customer information of the current year, and individually verified whether there is a significant amount of delayed payments to be recognized as impairment.

2. Evaluated the collectability of overdue trade receivables after subsequent period in order to consider whether it can be recognized as extra allowance for bad debts.

3. Obtained an understanding of the accounting policy on accounts receivable from the major clients provided by the management of subsidiaries, and tested the accuracy of the aging schedule in order to calculate the allowance for bad debts recognized by management.

For the policy of evaluating the impairment of trade receivables of subsidiaries accounted for using equity method, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

Allowance for Inventory Valuation Losses of Subsidiaries Accounted for Using the Equity Method

We considered the significant judgment involved in evaluating the net realizable value of inventory in our audit; in particular, we focused on the estimation of allowance for outdated inventory valuation losses.

The audit procedures for testing the net realizable value of inventories of subsidiaries accounted for using the equity method are as follows:

1. Understood the Management policy of inventory valuation and the relevant internal control.

2. Tested the accuracy and completeness of the inventory aging report.

3. Tested the carrying amount of the ending inventory. We sampled the latest information of purchases and sales to verify with management whether the inventories were evaluated using the lower of cost or net realizable value method. We assessed the appropriateness of the assessment base and rationality of change of allowance for inventory valuation losses, and we recalculated the net realizable value of the ending inventory.

4 To evaluate the appropriateness of the accounting policy for recognizing the allowance for inventory valuation losses, we obtained the inventory aging report and compared the historical data of allowance for inventory valuation losses with actual disposal of inventory.

5. Attended to the inventory counts at the end of year in order to evaluate the condition of the inventory and the reasonableness of the allowance for inventory valuation loss recognition to outdated inventory and spoilage.

For the policy on evaluating the allowance for inventory valuation losses, refer to Note 5 for critical accounting judgments and key sources of estimation uncertainty.

Gain on Disposal of Assets of Subsidiaries Accounted for Using the Equity Method

Silitech Group decided to sell its tenure, property, plant, equipment and investment property in Suzhou by the approval of the board of directors, for which it generated a gain of $153,905 thousand on the disposal of its assets, representing approximately (401%) of the comprehensive income. We considered the overall financial statements to have a significant impact. If the substance of the transaction was not recorded correctly and reflected, it will affect the balance of the assets and the gain or loss on the financial statement. Therefore, we regard the gain or loss on disposal of relevant assets as key audit matter in our audit.

The audit procedures on testing the disposal of assets were as follows:

1. Whether the decision of selling the tenure, property, plant, equipment and investment property was determined by the board of directors. Inspected the contracts and valuation report to verify the authenticity and reasonableness of the price.

2. Sampled the transactions to the bank statements, and calculated the gain or loss on disposal of assets to verify the accuracy of such transactions.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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 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 Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 25, 2019

<u>Notice to Readers</u>

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

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

SILITECH TECHNOLOGY CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 340,164	8	$ 490,856	11
Notes receivable, net	-	-	46	-
Trade receivables, net (Notes 4, 5 and 9)	274,477	7	236,415	6
Trade receivables from related parties (Notes 4, 5, 9 and 23)	10,618	-	17,447	1
Other receivables (Note 4)	9,998	-	6,513	-
Other receivables from related parties (Notes 4 and 23)	2,381	-	1,706	-
Current tax assets (Note 18)	495	-	-	-
Inventories, net (Notes 4 and 10)	22,101	1	1,813	-
Other current assets	9,630	-	12,406	-
Total current assets	669,864	16	767,202	18
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income (FVTOCI) (Notes 3, 4 and 7)	7,308	-	-	-
Financial assets measured at costs (Notes 4 and 8)	-	-	11,165	-
Investments accounted for using the equity method (Notes 4 and 11)	3,431,464	81	3,413,592	79
Property, plant and equipment, net (Notes 4 and 12)	54,949	1	60,939	1
Intangible assets, net	1,216	-	-	-
Deferred tax assets (Notes 4 and 18)	73,952	2	64,541	2
Refundable deposits (Note 4)	175	-	376	-
Other non-current assets	6,002	-	-	-
Total non-current assets	3,575,066	84	3,550,613	82
TOTAL	$ 4,244,930	100	$ 4,317,815	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 4)	$ 53,873	1	$ 48,488	1
Trade payables to related parties (Notes 4 and 23)	259,176	6	267,723	6
Other payables (Notes 4 and 13)	76,085	2	77,783	2
Other payables to related parties (Notes 4 and 23)	9,575	-	11,120	-
Current tax liabilities (Notes 4 and 18)	-	-	972	-
Other current liabilities	6,305	-	15,319	1
Total current liabilities	405,014	9	421,405	10
NON-CURRENT LIABILITIES				
Net defined benefit liabilities (Notes 4 and 14)	42,971	1	57,888	1
Deferred tax liabilities (Notes 4 and 18)	33,357	1	36,460	1
Total non-current liabilities	76,328	2	94,348	2
Total liabilities	481,342	11	515,753	12
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Notes 4 and 15)				
Share capital				
Ordinary shares	1,793,838	42	1,893,838	44
Capital surplus	507,154	12	535,425	12
Retained earnings				
Legal reserve	1,109,766	26	1,109,766	25
Special reserve	139,742	3	87,174	2
Unappropriated earnings	495,929	12	550,255	13
Total retained earnings	1,745,437	41	1,747,195	40
Other equity	(282,841)	(6)	(139,742)	(3)
Treasury shares	-	-	(234,654)	(5)
Total equity	3,763,588	89	3,802,062	88
TOTAL	$ 4,244,930	100	$ 4,317,815	100

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

SILITECH TECHNOLOGY CORPORATION

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Notes 4, 16 and 23)	$ 977,970	100	$ 947,665	100
COST OF GOODS SOLD (Notes 10, 20 and 23)	(861,007)	(88)	(844,352)	(89)
GROSS PROFIT	116,963	12	103,313	11
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	(113)	-	(47)	-
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES AND ASSOCIATES	47	-	99	-
REALIZED GROSS PROFIT	116,897	12	103,365	11
OPERATING EXPENSES (Notes 20 and 23)				
Selling and marketing expenses	(44,940)	(4)	(43,538)	(5)
General and administrative expenses	(123,558)	(13)	(120,484)	(13)
Research and development expenses	(41,622)	(4)	(42,934)	(4)
Expected credit gain	1,217	-	-	-
Total operating expenses	(208,903)	(21)	(206,956)	(22)
LOSS FROM OPERATIONS	(92,006)	(9)	(103,591)	(11)
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 17 and 23)	13,581	1	15,500	2
Other gains and losses (Note 17)	18,730	2	(53,906)	(6)
Finance costs	-	-	(11,076)	(1)
Share of profit or loss of subsidiaries and associates	25,060	3	56,948	6
Total non-operating income and expenses	57,371	6	7,466	1
LOSS BEFORE INCOME TAX	(34,635)	(3)	(96,125)	(10)
INCOME TAX BENEFIT (Notes 4 and 18)	819	-	14,107	1
NET LOSS FOR THE YEAR	(33,816)	(3)	(82,018)	(9)

(Continued)

SILITECH TECHNOLOGY CORPORATION

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ (2,089)	-	$ (3,148)	-
Unrealized loss on investments in equity instruments at fair value through other comprehensive loss	(3,858)	(1)	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	867	-	(1,384)	-
Income tax benefit relating to items that will not be reclassified subsequently to profit or loss (Note 18)	1,220	-	513	-
	(3,860)	(1)	(4,019)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(8,898)	(1)	(61,162)	(7)
Share of the other comprehensive income (loss) of subsidiaries and associates for using the equity method	1,578	-	(2,191)	-
Income tax benefit relating to items that may be reclassified subsequently to profit or loss (Note 18)	6,522	1	10,785	1
	(798)	-	(52,568)	(6)
Other comprehensive loss for the year, net of income tax	(4,658)	(1)	(56,587)	(6)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (38,474)	(4)	$ (138,605)	(15)
LOSS PER SHARE (NT dollars; Note 19)				
Basic	$ (0.19)		$ (0.46)	
Diluted	$ (0.19)		$ (0.46)	

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

SILITECH TECHNOLOGY CORPORATION

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

	Share Capital			Retained Earnings			Other Equity				
	Ordinary Shares (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Loss on Available-for-sale Financial Assets	Unrealized Loss on Financial Assets at FVTOCI	Treasury Shares	Total Equity
BALANCE AT JANUARY 1, 2017	189,384	$ 1,893,838	$ 535,425	$ 1,109,766	$ -	$ 723,466	$ (87,289)	$ 115	$ -	$ (234,654)	$ 3,940,667
Appropriation of 2016 earnings											
Special reserve	-	-	-	-	87,174	(87,174)	-	-	-	-	-
Net loss for the year ended December 31, 2017	-	-	-	-	-	(82,018)	-	-	-	-	(82,018)
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(4,019)	(52,658)	90	-	-	(56,587)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	(86,037)	(52,658)	90	-	-	(138,605)
BALANCE AT DECEMBER 31, 2017	189,384	1,893,838	535,425	1,109,766	87,174	550,255	(139,947)	205	-	(234,654)	3,802,062
Effect of retrospective application	-	-	-	-	-	138,383	-	(205)	(138,178)	-	-
BALANCE AT JANUARY 1, 2018 AS RESTATED	189,384	1,893,838	535,425	1,109,766	87,174	688,638	(139,947)	-	(138,178)	(234,654)	3,802,062
Appropriation of 2017 earnings											
Special reserve	-	-	-	-	52,568	(52,568)	-	-	-	-	-
Net loss for the year ended December 31, 2018	-	-	-	-	-	(33,816)	-	-	-	-	(33,816)
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	58	(798)	-	(3,918)	-	(4,658)
Total comprehensive loss for the year ended December 31, 2018	-	-	-	-	-	(33,758)	(798)	-	(3,918)	-	(38,474)
Cancelation of treasury shares	(10,000)	(100,000)	(28,271)	-	-	(106,383)	-	-	-	234,654	-
BALANCE AT DECEMBER 31, 2018	179,384	$ 1,793,838	$ 507,154	$ 1,109,766	$ 139,742	$ 495,929	$ (140,745)	$ -	$ (142,096)	$ -	$ 3,763,588

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

SILITECH TECHNOLOGY CORPORATION

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		
Loss before income tax	$ (34,635)	$ (96,125)
Adjustments for:		
Depreciation expenses	10,418	12,937
Amortization expenses	610	2,100
Impairment loss recognized on trade receivables	-	965
Expected credit gain reversed on trade receivables	(1,217)	-
Net gain on fair value change of financial assets at FVTPL	(162)	(919)
Finance costs	-	11,076
Interest income	(5,134)	(10,512)
Share of profit of subsidiaries and associates	(25,060)	(56,948)
Net gain on disposal of property, plant and equipment	-	(2,115)
Unrealized loss (gain) on the transactions with subsidiaries and associates	66	(52)
Net loss on disposal of inventories	3,298	658
Changes in operating assets and liabilities		
Financial assets held for trading	-	919
Financial assets mandatorily classified as at FVTPL	162	-
Notes receivable	46	(46)
Trade receivables	(36,845)	(131,531)
Trade receivables from related parties	6,829	13,174
Other receivables	(4,201)	(235)
Other receivables from related parties	(676)	2,512
Inventories	(23,586)	(1,312)
Other current assets	2,776	(3,596)
Trade payables	5,385	22,640
Trade payables to related parties	(8,547)	125,542
Other payables	(4,405)	3,471
Other payables to related parties	(1,545)	5,086
Other current liabilities	(9,014)	6,476
Net defined benefit liabilities	(17,007)	1,447
Cash used in operations	(142,444)	(94,388)
Interest received	5,851	11,381
Dividends received	669	257,247
Interest paid	-	(11,952)
Income tax paid	(5,420)	(16,993)
Net cash (used in) generated from operating activities	(141,344)	145,295

(Continued)

SILITECH TECHNOLOGY CORPORATION

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		
Payments for property, plant and equipment	$ (7,723)	$ (6,965)
Proceeds from disposal of property, plant and equipment	-	3,984
Decrease in refundable deposits	201	-
Payments for intangible assets	(1,826)	(800)
Net cash used in investing activities	(9,348)	(3,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	-	(1,440,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(150,692)	(1,298,486)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	490,856	1,789,342
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 340,164	$ 490,856

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

SILITECH TECHNOLOGY CORPORATION

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

1. GENERAL INFORMATION

Silitech Technology Corporation (the "Company") was established in October 2001, and listed on the Taiwan Stock Exchange in March 2004, and is mainly engaged in the manufacture and sale of modules and rubber (plastic) products.

The Company signed a spin-off proposal with Silitek Corporation on March 27, 2002, stating that the Company will generally accept the rubber division of Silitek Corporation (the "division"). The proposal was approved in the shareholders' meeting on May 17, 2002. The Company generally accepted all assets, liabilities and operations generated by the division on the record date of October 1, 2002, which was approved by the board of directors on September 5, 2002.

The financial statements of the Company are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company's board of directors and authorized for issue on February 25, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

      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. 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 exist as of January 1, 2017, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Note**
Equity securities	Available-for-sale	Fair value through other comprehensive income (FVTOCI) - equity instruments	$ 11,165	$ 11,165	a)

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Note**
FVTOCI						
Equity instruments	$ -					
Add: Reclassification from available-for-sale (IAS 39)	-	$ 11,165				
	-	11,165	$ 11,165	$ 138,300	$ (138,300)	a)
Amortized cost						
Investments accounted for using the equity method	-	-	-	83	(83)	b)
	$ -	$ 11,165	$ 11,165	$ 138,383	$ (138,383)	

a) The Company recognized under IAS 39 impairment loss on certain investments in equity securities 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 was required, an adjustment was made that resulted in a decrease of $138,300 thousand in other equity - unrealized gain/(loss) on financial assets at FVTOCI and an increase of $138,300 thousand in retained earnings on January 1, 2018.

b) As a result of retrospective application of IFRS 9 by associates, there was a decrease in other equity - unrealized gain (loss) on available-for-sale financial assets of $205 thousand, an increase in other equity - unrealized gain (loss) on financial assets at FVTOCI of $122 thousand and an increase in retained earnings of $83 thousand on January 1, 2018.

2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for the related accounting policies.

The Company performed a preliminary assessment and recognized revenue based on the facts and circumstances as of January 1, 2018, and the recognition and measurement did not change upon the application of IFRS 15.

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

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by 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 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 2018.

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

- IFRS 16 "Leases"

  IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

  Definition of a lease

  Upon initial application of IFRS 16, the Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

  The Company as lessee

  Upon initial application of IFRS 16, the Company will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

  The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized 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 with the application of 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. The Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

1) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

3) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amount of right-of-use assets and lease liabilities on January 1, 2019 will be determined as the carrying amounts of the leased assets and finance lease payables as of December 31, 2018.

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Investments accounted for using the equity method	$ 3,431,464	$ (14,906)	$ 3,416,558
Total effect on assets	$ 3,431,464	$ (14,906)	$ 3,416,558
Retained earnings	$ 1,745,437	$ (14,906)	$ 1,730,531
Total effect on equity	$ 1,745,437	$ (14,906)	$ 1,730,531

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

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

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 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 on or after their respective effective dates.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries, associates and joint ventures. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates, as appropriate, in these parent company only financial statements.

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; and

3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (i.e. 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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

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 on 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 case, 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 not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, work in progress and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at their weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

Investments in subsidiaries are accounted for using the equity method.

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

Under the equity method, investments in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiary attributable to the Company.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

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

When a company entity transacts with its subsidiaries, profits and losses resulting from the transactions with the subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

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

g. Investments in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary.

Investments in associates are accounted for using the equity method.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates attributable to the Company.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is deducted from the investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's financial statements only to the extent of interests in the associate that are not related to the Company.

The unrealized profit or loss downstream transactions between the Company and subsidiaries will be eliminated in financial statements. The profit or loss generated from sidestream and upstream transactions between the Company and subsidiaries will be recognized in financial if only its uncorrelated with equity to subsidiaries.

h. Property, plant and equipment

Property, plant and equipment are stated at cost less recognized accumulated depreciation and accumulated impairment loss.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If an asset's lease term is shorter than its useful life, such an asset is depreciated over the lease term. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets other than goodwill

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

The 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, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. Reversals of impairment loss are recognized in profit or loss.

k. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

<u>2018</u>

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

i. Financial assets at amortized cost

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

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 and trade receivables, at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using 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 gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

ii) Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as 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, it will be transferred to retained earnings.

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

2017

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

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value of such financial assets is recognized in other comprehensive income. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including cash and cash equivalents) are measured using the effective interest method at amortized cost, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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) Impairment of financial assets

2018

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

The Company always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Company recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investment 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 at FVTPL, are assessed for indicators of impairment at the end of each reporting period. 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 such financial assets, the estimated future cash flows of the investment have been affected.

Financial assets, at amortized cost such as trade receivables, are assessed for impairment on a collective basis even if they are not assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company’s past experience of collecting receivables, an increase in the number of delayed payments in the portfolio past the average credit period of 240 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment is recognized in other comprehensive income. In respect of available-for-sale debt securities, impairment loss is subsequently reversed through profit or loss if an increase in the fair value of such an investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's 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 will not be reversed in subsequent periods.

The carrying amount of a 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. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. Starting from 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 an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

l. Revenue recognition

<u>2018</u>

The Company identifies contracts with the customers, allocates the transaction price to the performance obligations, and recognizes revenue when performance obligations are satisfied.

<u>Sale of goods</u>

Revenue from the sale of goods comes from sales of rubber goods. Sales of goods are recognized as revenue when the goods are shipped or delivered to the customer because that is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers, and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

   Revenue from the sale of goods is recognized when all the following conditions are satisfied:

   a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

   b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

   c) The amount of revenue can be measured reliably;

   d) It is probable that the economic benefits associated with the transaction will flow to the Company; and

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

2) Dividend and interest income

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

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

m. Employee benefits

1) 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 the related service.

2) Retirement benefits

   Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

   Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities 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 unused loss carryforwards to the extent 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 and associates, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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 assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow 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 period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes 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 taxes 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 Company's accounting policies, management 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 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 period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Business model assessment for financial assets - 2018

The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment about all relevant evidence including how the performance of the assets is evaluated, the risks that affect the performance of the assets and how these are managed, and how the managers of the assets are compensated. The Company monitors financial assets at amortized cost or fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Company understands the reasons for their disposal and whether the reasons are consistent with the objective of the business for which the assets were held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and, if it is not appropriate, whether there has been a change in the business model, such that a prospective change to the classification of those assets is proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on the assumptions about the risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Notes 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of financial assets of investments in subsidiary accounted for using equity method - 2018

The provision for impairment of trade receivables is based on the assumptions about the risk of default and expected loss rate. The Company uses judgement in making these assumptions and in selecting the inputs for the impairment calculation, based on the Company's historical experience, existing marketing condition, as well as forward looking estimates, where the actual future cash inflows are less than expected, a material impairment loss may arise.

d. Write-down of inventory for investments in subsidiaries accounted for using the equity method

The net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and historical experience with selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31 2018	December 31 2017
Cash on hand	$ 194	$ 324
Checking accounts and demand deposits	89,970	252,016
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	250,000	238,516
	$ 340,164	$ 490,856

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

	December 31 2018	December 31 2017
Time deposits	0.55%-0.66%	0.50%-3.80%

7. FINANCIAL ASSETS AT FVTOCI - 2018

Investments in Equity Instruments at FVTOCI

	December 31, 2018
Non-current	
Domestic investments	
Unlisted ordinary shares	$ 7,308

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 8 for information related to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted ordinary shares	$ 11,165
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 11,165

Management believed that the above unlisted equity investments held by the Company had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

The Company recognized impairment loss of financial assets measured at cost of $138,300 thousand on December 31, 2017, due to the fact that their investments in unlisted shares continued to result in losses and the value of held investments was already impaired, therefore the difference between the carrying amount and the amount recoverable was recognized as a loss.

9. TRADE RECEIVABLES

	December 31	
	2018	**2017**
Trade receivables		
At amortized cost		
Gross carrying amount	$ 285,130	$ 255,114
Less: Allowance for impairment loss	(35)	(1,252)
	$ 285,095	$ 253,862

In 2018

The average credit period of sales of goods was 60-90 days and no interest was charged on trade receivables. In order to minimize credit risk, the management of the Company has regularly evaluated for credit approvals and carried out other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

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

The Company writes off a trade receivable when there is information indicating that the debtor is experiencing severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or when the trade receivables are over 240 days past due, or whichever occurs earlier. For trade receivables that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due	Less than 60 Days	Total
Expected credit loss rate	-	0.20%	
Gross carrying amount	$ 267,731	$ 17,399	$ 285,130
Loss allowance (Lifetime ECLs)	-	(35)	(35)
Amortized cost	$ 267,731	$ 17,364	$ 285,095

The movements of the loss allowance of trade receivables are as follows:

	2018
Balance at January 1 per IAS 39	$ 1,252
Adjustment on initial application of IFRS 9	-
Balance at January 1 per IFRS 9	1,252
Add: Amounts recovered	-
Less: Net re-measurement of loss allowance	(1,217)
Balance at December 31	$ 35

In 2017

The Company applied the same credit policy in 2018 and 2017. The Company determined the average credit period of sales of goods as 60-90 days. The Company recognized an allowance for 100% impairment loss against all receivables over 240 days past due because historical experience shows that receivables that are past due beyond 240 days are not recoverable. Allowance for impairment loss was recognized against trade receivables past due between 1 and 240 days based on the estimated irrecoverable amounts determined by reference to past default experience with the counterparties and an analysis of their respective current financial positions. As of December 31, 2017, impairment losses based on past due or impaired trade receivables are fully recognized.

The aging of receivables is as follows:

	December 31, 2017
Not overdue	$ 247,142
1-60 days	7,972
	$ 255,114

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful trade receivables are as follows:

	Collectively Assessed for Impairment
Balance at January 1, 2017	$ -
Add: Impairment losses recognized on receivables	1,252
Less: Amounts written off during the year as uncollectible	-
Balance at December 31, 2017	$ 1,252

10. INVENTORIES, NET

	December 31	
	2018	2017
Merchandise	$ 16,214	$ -
Raw materials	3,502	890
Work in progress	1,972	678
Finished goods	413	245
	$ 22,101	$ 1,813

The cost of inventories recognized as cost of goods sold included the inventory write-downs (reversals) and disposals.

	For the Year Ended December 31	
	2018	2017
Inventory write-downs (reversals)	$ (2,444)	$ (2,491)
Loss of inventory scrapped	3,298	658

Previous write-downs were reversed as a result of the sale of inventory that had been written down.

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 3,360,288	$ 3,343,000
Investments in associates	71,176	70,592
	$ 3,431,464	$ 3,413,592

Investments in Subsidiaries

	December 31	
	2018	2017
Silitech (BVI) Holding Ltd.	$ 3,360,288	$ 3,343,000

Name of Company	Proportion of Ownership and Voting Rights December 31 2018	 2017
Silitech (BVI) Holding Ltd.	100%	100%

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements which have been audited for the same years.

Investments in Associates

	December 31 2018	 2017
Lite-On Japan Ltd.	$ 71,176	$ 70,592

Name of Company	Proportion of Ownership and Voting Rights December 31 2018	 2017
Lite-On Japan Ltd.	7.87%	7.87%

According to the judgment of the Company's management, the Company has significant influence on Lite-On Japan Ltd. to adopt the equity method.

Refer to Table 4 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associate's financial statements which have been audited for the same years.

Fair values (Level 1) of investments in associates with available published price quotations are summarized as follows:

Name of Associate	December 31 2018	 2017
Lite-On Japan Ltd.	$ 45,718	$ 77,674

Summarized financial information in respect of each of the Company's material associates is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Company for equity accounting purposes.

Lite-On Japan Ltd.

	December 31	
	2018	**2017**
Current assets	$ 1,647,044	$ 1,680,310
Non-current assets	105,209	163,850
Current liabilities	(948,086)	(1,050,484)
Non-current liabilities	(73,503)	(70,432)
Equity	$ 730,664	$ 723,244
Proportion of the Company's ownership	7.87%	7.87%
Equity attributable to the Company	$ 57,526	$ 56,942
Goodwill	13,650	13,650
Carrying amount	$ 71,176	$ 70,592

	For the Year Ended December 31	
	2018	**2017**
Operating revenue	$ 3,741,635	$ 3,655,636
Net profit (loss) for the year	$ (4,732)	$ 29,059
Other comprehensive income (loss)	(14,028)	515
Total comprehensive income (loss) for the year	$ (18,760)	$ 29,574
Dividends received from Lite-On Japan, Ltd.	$ 669	$ 532

12. PROPERTY, PLANT AND EQUIPMENT, NET

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Cost								
Balance at January 1, 2017	$ 9,789	$ 167,916	$ 182,305	$ 80,542	$ 3,440	$ 48,736	$ 10,779	$ 503,507
Additions	-	-	5,650	820	-	1,050	1,540	9,060
Disposals	-	-	(15,604)	(7,110)	-	(4,739)	-	(27,453)
Balance at December 31, 2017	$ 9,789	$ 167,916	$ 172,351	$ 74,252	$ 3,440	$ 45,047	$ 12,319	$ 485,114
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 129,638	$ 108,564	$ 71,277	$ 3,440	$ 45,204	$ 8,416	$ 366,539
Disposals	-	-	(6,636)	(6,181)	-	(4,739)	-	(17,556)
Depreciation expenses	-	2,944	6,093	1,995	-	1,209	696	12,937
Balance at December 31, 2017	$ -	$ 132,582	$ 108,021	$ 67,091	$ 3,440	$ 41,674	$ 9,112	$ 361,920

(Continued)

	Freehold Land	Buildings	Machinery Equipment	Testing Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
Accumulated impairment								
Balance at January 1, 2017	$ -	$ 1,155	$ 59,314	$ 7,219	$ -	$ 756	$ 1,839	$ 70,283
Disposals	-	-	(7,099)	(929)	-	-	-	(8,028)
Impairment losses	-	-	-	-	-	-	-	-
Balance at December 31, 2017	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Net balance at December 31, 2017	$ 9,789	$ 34,179	$ 12,115	$ 871	$ -	$ 2,617	$ 1,368	$ 60,939
Cost								
Balance at January 1, 2018	$ 9,789	$ 167,916	$ 172,351	$ 74,252	$ 3,440	$ 45,047	$ 12,319	$ 485,114
Additions	-	750	80	190	-	2,688	720	4,428
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Balance at December 31, 2018	$ 9,789	$ 168,666	$ 172,345	$ 74,291	$ 3,440	$ 46,956	$ 13,039	$ 488,526
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 132,582	$ 108,021	$ 67,091	$ 3,440	$ 41,674	$ 9,112	$ 361,920
Disposals	-	-	(86)	(151)	-	(779)	-	(1,016)
Depreciation expenses	-	2,363	5,681	336	-	1,151	887	10,418
Balance at December 31, 2018	$ -	$ 134,945	$ 113,616	$ 67,276	$ 3,440	$ 42,046	$ 9,999	$ 371,322
Accumulated impairment								
Balance at January 1, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Disposals	-	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-	-
Balance at December 31, 2018	$ -	$ 1,155	$ 52,215	$ 6,290	$ -	$ 756	$ 1,839	$ 62,255
Net balance at December 31, 2018	$ 9,789	$ 32,566	$ 6,514	$ 725	$ -	$ 4,154	$ 1,201	$ 54,949

(Concluded)

As a result of the life cycle of some products, the related equipment used to produce these products would be left idle due to insufficient capacity. The Company carried out a review of the recoverable amount of the related equipment and determined that the carrying amount exceeded the recoverable amount. As of December 31, 2018 and 2017, the accumulated impairment losses recognized were both $62,255 thousand. For the years ended December 31, 2018 and 2017, the accumulated impairment amount decreased due to disposal of equipment and were $0 and $8,028 thousand.

The above items of property, plant and equipment were depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings	
Plant structures	20-45 years
Electricity and barrier constructions	3-20 years
Machinery equipment	5-10 years
Testing equipment	3-10 years
Transportation equipment	5 years
Office equipment	3-5 years
Other equipment	2-3 years

13. OTHER PAYABLES

	December 31	
	2018	2017
Payroll	$ 40,728	$ 44,371
Services	9,789	9,149
Tooling	6,107	5,331
Equipment	3,288	581
Employee Leave	2,763	1,987
Others	13,410	16,364
	$ 76,085	$ 77,783

14. ETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2.5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company’s defined benefit plans were as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 77,868	$ 72,255
Fair value of plan assets	(34,897)	(14,367)
Net defined benefit liabilities	$ 42,971	$ 57,888

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	$ 65,997	$ (12,704)	$ 53,293
Current service cost	2,326	-	2,326
Net interest expense (income)	826	(169)	657
Recognized in profit or loss	3,152	(169)	2,983
Remeasurement			
Return on plan assets	-	42	42
Actuarial loss - changes in demographic assumptions	3,906	-	3,906
Actuarial loss - changes in financial assumptions	821	-	821
Actuarial gain - experience adjustments	(1,621)	-	(1,621)
Recognized in other comprehensive loss	3,106	42	3,148
Contributions from the employer	-	(1,536)	(1,536)
Balance at December 31, 2017	72,255	(14,367)	57,888
Current service cost	2,228	-	2,228
Net interest expense (income)	813	(170)	643
Recognized in profit or loss	3,041	(170)	2,871
Remeasurement			
Return on plan assets	-	(484)	(484)
Actuarial loss - changes in demographic assumptions	2,601	-	2,601
Actuarial loss - changes in financial assumptions	872	-	872
Actuarial gain - experience adjustments	(901)	-	(901)
Recognized in other comprehensive income (loss)	2,572	(484)	2,088
Contributions from the employer	-	(19,876)	(19,876)
Balance at December 31, 2018	$ 77,868	$ (34,897)	$ 42,971

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	$ 523	$ 597
Selling and marketing expenses	519	520
General and administrative expenses	1,282	1,338
Research and development expenses	547	528
	$ 2,871	$ 2,983

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan’s debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	**2017**
Discount rate(s)	1.00%	1.125%
Expected rate(s) of salary increase	3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (1,806)	$ (1,759)
0.25% decrease	$ 1,869	$ 1,822
Expected rate(s) of salary increase		
0.25% increase	$ 1,800	$ 1,756
0.25% decrease	$ (1,749)	$ (1,705)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2018	**2017**
The expected contributions to the plan for the next year	$ 1,624	$ 1,495
The average duration of the defined benefit obligation	9.5 years	10.1 years

15. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	300,000	300,000
Amount of shares authorized	$ 3,000,000	$ 3,000,000
Number of shares issued and fully paid (in thousands)	179,384	189,384
Amount of shares issued	$ 1,793,838	$ 1,893,838

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	$ 507,154	$ 535,425

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and only once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the amended Articles, when there is net profit after tax upon the final settlement of accounts of each fiscal year, the Company shall first offset any previous accumulated losses (including adjustments of unappropriated earnings if any) and set aside a legal reserve of 10% of the net profit, unless the accumulated legal reserve is equal to the total capital of the Company and set aside a special reserve in accordance with the relevant laws or regulations or as requested by the authorities in charge. The remaining net profit, plus the beginning unappropriated earnings (including adjustments of unappropriated earnings if any), shall be distributed as dividends to shareholders according to the distribution plan proposed by the board of directors and submitted to the shareholders in the shareholders' meeting for approval.

For policies on the distribution of employees' compensation and remuneration of directors before and after the amendment, refer to Note 20 (b): Employee benefits expense.

The Company's dividends policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. The Company shall distribute cash dividends at no less than 10% of the total dividends distributed.

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and is thereafter distributed.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meeting on June 12, 2018 and June 13, 2017, respectively, are as follows:

	Appropriation of Earnings	
	2017	**2016**
Special reserve	$ 52,568	$ 87,174

The Company reported a net loss in 2018 hence no appropriations were proposed by the board of directors on February 25, 2019 However, the Company will appropriate a special reserve of $143,099 thousand under regulations.

The appropriations of earnings for 2018 are subject to the resolution of the shareholders' meeting to be held on June 12, 2019.

d. Treasury shares

Purpose of Buy-back	**Shares Transferred to Employees (In Thousands of Shares)**
Number of shares at January 1, 2017	10,000
Increase during the year	-
Number of shares at December 31, 2017	10,000
Number of shares at January 1, 2018	10,000
Decrease during the year	(10,000)
Number of shares at December 31, 2018	-

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

The repurchased ordinary shares market for transfer to employees have expired and have not been transferred. The Company's board of directors approved the retirement of 10,000 thousand treasury shares on July 26, 2018. The record date for capital reduction was July 27, 2018.

On February 25, 2019, the board of directors resolved to reduce the capital and refund cash to shareholders. The capital reduction was $1,193,838 thousand, which cancelled 119,384 thousand ordinary shares and reduced capital by 66.552167%.

16. REVENUE

According to IFRS 15, the type of customer contract revenue is identified as "product sales revenue". The Company's core technology is to integrate rubber, plastic, optical and other components, which are widely used, in industries and products such as institutional integration components and automotive components.

17. NON-OPERATING INCOME AND EXPENSES

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income		
From bank deposits	$ 5,134	$ 10,512
Rental income	1,442	926
Others	7,005	4,062
	$ 13,581	$ 15,500

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Disposal of property, plant and equipment	$ -	$ 2,115
Foreign currency exchange	(4,178)	(59,000)
Net gain on financial assets		
Financial assets held for trading		919
Financial assets mandatorily classified as at FVTPL	162	
Others	22,746	2,060
	$ 18,730	$ (53,906)

c. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 28,662	$ 28,178
Foreign exchange losses	(32,840)	(87,178)
	$ (4,178)	$ (59,000)

18. INCOME TAX

a. Income tax recognized in profit or loss

Major components of income tax benefit are as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current period	$ 3,953	$ -
Deferred tax		
In respect of the current period	(4,019)	(14,107)
Effect on tax rate change	(753)	-
Income tax benefit recognized in profit or loss	$ (819)	$ (14,107)

A reconciliation of accounting profit and income tax benefit is as follows:

	For the Year Ended December 31	
	2018	2017
Loss before Income tax	$ (34,635)	$ (96,125)
Income tax benefit calculated at the statutory rate	$ (6,927)	$ (16,341)
Nondeductible items in determining taxable income	8,600	3,992
Tax-exempt income	(32)	(156)
Unrecognized loss carryforwards/deductible temporary differences	(5,659)	(1,602)
Effect on tax rate change	(753)	-
Other	3,952	-
Income tax benefit recognized in profit or loss	$ (819)	$ (14,107)

In 2017, the applicable corporate income tax rate used by the Company in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	$ 495	$ -
Current tax liabilities		
Income tax payable	$ -	$ 972

c. Deferred tax assets and liabilities

The movements of deferred tax assets and liabilities were as follows:

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 477	$ (405)	$ -	$ 72
Unrealized exchange loss	307	(70)	-	237
Defined benefit obligation	9,685	(2,488)	1,235	8,432
Exchange differences on translating the financial statements of foreign operations	28,664	-	6,522	35,186
Payables for annual leave	338	215	-	553
Loss carryforwards	24,909	4,393	-	29,302
Others	161	24	(15)	170
	$ 64,541	$ 1,669	$ 7,742	$ 73,952

(Continued)

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 408	$ (151)	$ -	$ 257
Land value increment tax	9,477	-	-	9,477
Share of profit (loss) of subsidiaries and associates	26,575	(2,952)	-	23,623
	$ 36,460	$ (3,103)	$ -	$ 33,357

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit (Loss)	Recognized in Other Comprehensive Income (Loss)	Closing Balance
Deferred tax assets				
Temporary differences				
Unrealized loss on inventories	$ 900	$ (423)	$ -	$ 477
Unrealized exchange loss	578	(271)	-	307
Defined benefit obligation	8,904	245	536	9,685
Exchange differences on translating the financial statements of foreign operations	17,879	-	10,785	28,664
Payables for annual leave	767	(429)	-	338
Loss carryforwards	-	24,909	-	24,909
Others	242	(58)	(23)	161
	$ 29,270	$ 23,973	$ 11,298	$ 64,541
Deferred tax liabilities				
Temporary differences				
Unrealized exchange gain	$ 813	$ (405)	$ -	$ 408
Land value increment tax	9,477	-	-	9,477
Share of profit (loss) of subsidiaries and associates	16,304	10,271	-	26,575
	$ 26,594	$ 9,866	$ -	$ 36,460

d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

	December 31	
	2018	2017
Loss carryforwards		
Expiry in 2028	$ 38,727	$ -
Deductible temporary differences		
Impairment loss of property, plant and equipment	$ 1,877	$ 1,441

e. Information about unused loss carryforwards

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expire Year
$ 146,510	2027
38,727	2028
$ 185,237	

f. Income tax assessments

The income tax returns of the Company for all years through 2016 have been assessed by the tax authorities.

19. LOSS PER SHARE

	For the Year Ended December 31	
	2018	2017
Basic loss per share	$ (0.19)	$ (0.46)
Diluted loss per share	$ (0.19)	$ (0.46)

The net loss and weighted average number of ordinary shares outstanding used in the computation of loss per share are as follows:

	For the Year Ended December 31	
	2018	2017
Net loss for the year		
Loss for the year attributable to owners of the Company	$ (33,816)	$ (82,108)
Shares		
Weighted average number of ordinary shares used in the computation of basic loss per share	179,384	179,384
Effect of potentially dilutive ordinary shares:		
Employees' compensation	-	-
Weighted average number of ordinary shares used in the computation of diluted loss per share	179,384	179,384

If the Company settles the bonuses or remuneration paid to employees in cash or shares, the Company presumed that the entire amount of the bonuses or remuneration would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. The dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

20. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

	For the Year Ended December 31	
	2018	**2017**
Property, plant and equipment	$ 10,418	$ 12,937
Intangible assets	610	2,100
	$ 11,028	$ 15,037
An analysis of depreciation by function		
Recognized in operating costs	$ 2,789	$ 3,049
Recognized in operating expenses	7,629	9,888
	$ 10,418	$ 12,937
An analysis of amortization by function		
Recognized in operating expenses	$ 610	$ 2,100

b. Employee benefits expense

	For the Year Ended December 31	
	2018	**2017**
Post-employment benefits		
Defined contribution plans	$ 6,343	$ 6,119
Defined benefit plans (Note 14)	2,871	2,983
	9,214	9,102
Other employee benefits	172,345	169,281
	$ 181,559	$ 178,383
Employee benefits expense summarized by function		
Recognized in operating costs	$ 32,484	$ 35,787
Recognized in operating expenses	149,075	142,596
	$ 181,559	$ 178,383

In compliance with the Company’s Articles of Incorporation, the amendments stipulate the distribution of employees’ compensation and remuneration to directors and supervisors at rates of no less than 10% and no higher than 5%, respectively, of net profit before income tax, employees’ compensation and remuneration of directors and supervisors.

As the Company reported net losses for the years ended December 31, 2018 and 2017, no employees’ compensation and remuneration to directors and supervisors were estimated.

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

Information on employees’ compensation and remuneration of directors and supervisors resolved by the Company’s board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

21. CAPITAL MANAGEMENT

The Company maintains its capital to suffice equipment improvement. In order to suffice future operating funds, capital expenditures, research and development costs, repayment of debt and appropriating of dividends over the following 12 months, the Company manages its capital to ensure financial resource and plan of operation capability.

22. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities not measured at fair value approximate their fair values or their fair values cannot be measured reliably.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments - domestic unlisted equities	$ -	$ -	$ 7,308	$ 7,308

December 31, 2017: None

There were no transfers between Levels 1 and 2 as of the years ended December 31, 2018 and 2017.

2) Reconciliation of Level 3 fair value measurements of financial instruments: None.

3) Valuation techniques and inputs applied for the purpose of Level 3 fair value measurement

The fair values of unlisted equity securities - ROC were determined using the income approach. In this approach, the discounted cash flow method was used to capture the present value of the expected future economic benefits to be derived from the ownership of these investees. The significant unobservable inputs used are listed as follows. An increase in long-term revenue growth rates or long-term pre-tax operating margins or a decrease in the weighted average cost of capital (WACC) or discount for lack of marketability used in isolation would result in increases in fair value.

c. Categories of financial instruments

	December 31	
	2018	**2017**
<u>Financial assets</u>		
Loans and receivables (1)	$ -	$ 753,359
Available-for-sale financial assets (2)	-	11,165
Financial assets at amortized cost (3)	637,813	-
Financial assets at FVTOCI	7,308	-
<u>Financial liabilities</u>		
Amortized cost (4)	355,217	358,756

1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, trade receivables, other receivables and guarantee deposits.

2) The balances include the carrying amounts of available-for-sale financial assets measured at cost.

3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, debt instruments, notes receivable, trade receivables, other receivables and guarantee deposits.

4) The balances include financial liabilities measured at amortized cost, which comprise notes payable, trade payables, other payables and guarantee deposits.

d. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include currency risk, interest rate risk, credit risk and liquidity risk. In order to reduce financial risk, the Company is committed to identify, assess and avoid the uncertainty of the market and reduce the potential downside effects against the Company's financial performance due to market fluctuation.

The Corporate Treasury function is reviewed by the Company's board of directors and audit committee in accordance with related rules and internal control systems. The Company should implement the overall financial management objective as well as observe the levels of delegated authority and ensure that those with delegated authority carry out their duties.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below). The Company entered into a variety of derivative financial instruments to manage its exposure to foreign currency risk.

a) Foreign currency risk

The Company's primary operating activities and foreign investment structures were in foreign currencies, which exposed the Company to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing short-term loans and derivative financial instruments (including forward exchange contracts and currency swap contracts). The Company could reduce but would be unable to eliminate the effect caused by foreign currency risks under the use of derivative financial products.

The Company's derivative financial instruments did not qualify under hedged items due to the fact that such products were due within 90 days of the initial transaction.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 25.

<u>Sensitivity analysis</u>

The following table details the Company's sensitivity to a 5% increase and decrease in the NTD against the USD and the RMB. The sensitivity analysis included only outstanding foreign currency denominated monetary items. The number below indicates an increase or a decrease in pre-tax profit associated with the NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of the NTD against the USD and the RMB, there would be an equal and opposite impact on pre-tax profit.

	USD Impact (i)		**RMB Impact (ii)**	
	For the Year Ended December 31		**For the Year Ended December 31**	
	2018	**2017**	**2018**	**2017**
Profit or loss	$ (176)	$ 1,576	$ 112	$ 7,451

i. This was mainly attributable to the exposure on outstanding receivables and financial assets at FVTPL and payables in USD in cash flow hedges at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB in cash flow hedges at the end of the reporting period.

b) Interest rate risk

The Company was exposed to interest rate risk because of market rate change. The impact on floating fair values of financial instruments and floating cash flows.

The carrying amounts of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period are as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 250,000	$ 238,516
Cash flow interest rate risk		
Financial assets	89,969	251,975

Sensitivity analysis

The sensitivity analyses were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments held for a quarter at the end of the reporting period. If interest rates had been 10 basis points higher and all other variables were held constant, the Company's profit or loss are as follows:

	Market Rate Change Impact	
	2018	**2017**
Profit or loss	$ 90	$ 252

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from trade receivables, deposits and other financial instruments. Credit risk on business-related exposures is managed separately from that on financial-related exposures.

a) Business-related credit risk

To maintain the quality of receivables, the Company has established operating procedures to manage credit risk.

For individual customers, risk factors considered include the customer's financial position, credit agency rating, the Company's internal credit rating, and transaction history as well as current economic conditions that may affect the customer's ability to pay. The Company also has the right to use some credit protection enhancement tools, such as requiring advance payments, to reduce the credit risks involving certain customers.

The Company's concentration of credit risk of 87% and 97% of total trade receivables as of December 31, 2018 and 2017, respectively, was related to the Company's ten largest customers. The credit concentration risk of the remaining accounts receivable is relatively insignificant.

b) Financial-related credit risk

Credit risk from bank deposits and other financial instruments are measured and monitored by the Company's Department of Finance. However, since the Company's counterparties are all reputable financial institutions and government agencies, there are no significant financial-related credit risks.

3) Liquidity risk

The objective of liquidity risk management, is to maintain sufficient operating cash and cash equivalents in order to ensure that the Company has financial flexibility.

Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturities for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturities dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2018

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 398,709	$ -	$ -	$ -

December 31, 2017

	On Demand or Less than 1 Year	1-3 Years	Over 3 Years to 5 Years	5+ Years
Non-derivative financial liabilities				
Non-interest bearing liabilities	$ 405,114	$ -	$ -	$ -

23. TRANSACTIONS WITH RELATED PARTIES

The Company's parent is Lite-On Technology Corporation, and their ordinary shareholders of the Company as of December 31, 2018 and 2017 are all 33.87%.

The details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationships

Related Party	Relationship with the Company
Lite-On Technology Corporation	The Company's parent
Lite-On Japan Ltd.	Associate
Chi Mei Mold Co., Ltd.	Other related party
Lite-On Semiconductor Corp.	Other related party
Lite-On Semiconductor (Wuxi) Co., Ltd.	Other related party
Lite-On Mobile India Private Limited	Subsidiary of Lite-On Technology Corporation
Lite-On Integrated Service Inc.	Subsidiary of Lite-On Technology Corporation
Silport Travel Corp.	Related party in substance

b. Sales of goods

Item	Related Party Category	For the Year Ended December 31 2018	2017
Sales of goods	Associates	$ 13,024	$ 45,273
	Subsidiaries	11,902	17,064
	The Company's parent	1,316	-
	Other related parties	-	369
		$ 26,242	$ 62,706

The sale of goods to related parties were made at the Company's usual list prices which had no significant difference with other non-related parties.

c. Purchases

Related Party Category	For the Year Ended December 31 2018	2017
Subsidiaries - Silitech Technology Corporation Limited	$ 708,578	$ 679,481
Subsidiaries	2,358	-
Other related parties	3,740	1,127
	$ 714,676	$ 680,608

The purchases conditions to related parties had no significant difference with other non-related parties.

d. Other revenue and operating expenses

Item	Related Party Category	For the Year Ended December 31 2018	2017
Operating expenses	Other related parties	$ 3,865	$ 14,506
	The Company's parent	4,368	5,116
	Subsidiaries of Lite-On Technology Corporation	841	1,000
	Related party in substance	1,346	1,681
	Subsidiaries	-	47
		$ 10,420	$ 22,350
Other revenue	Other related parties - Chi Mei Mold Co., Ltd.	$ 1,431	$ 914
	Other related parties	1,026	265
	The Company's parent	409	-
		$ 2,866	$ 1,179

The Company leases offices to Chi Mei Mold Co., Ltd. (other related party) for $119 thousand per month for the year 2018, and payment is made by telegraphic transfer on a monthly basis.

e. Receivables from related parties

Item	Related Party Category	December 31 2018	December 31 2017
Trade receivables	Associates	$ 8,388	$ 9,116
	Subsidiaries	2,230	8,331
		$ 10,618	$ 17,447
Other receivables	Subsidiaries - Silitech Technology Corp. Sdn. Bhd.		
	The Company's parent	$ 535	$ 1,147
	Other related parties	116	297
	Associates	1,586	261
		144	1
		$ 2,381	$ 1,706

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties

Item	Related Party Category	December 31 2018	December 31 2017
Trade payables	Subsidiaries of Silitech Technology Corp. Ltd.	$ 257,013	$ 266,814
	Other related parties	2,163	909
		$ 259,176	$ 267,723
Other payables	Other related parties - Chi Mei Mold Co., Ltd.	$ 7,893	$ 9,333
	The Company's parent	1,522	1,633
	Subsidiaries of Lite-On Technology Corporation	67	76
	Related party in substance	93	78
		$ 9,575	$ 11,120

The outstanding trade payables from related parties are unsecured.

g. Compensation of key management personnel

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 4,819	$ 4,771
Termination benefits	191	200
	$ 5,010	$ 4,971

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

24. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The Company and Lite-On Technology Corporation signed a mutual contract regarding registrar inquiries and management services, and the payment of relevant expenses would be shared by both companies according to the agreed proportion stated in the contract.

25. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Company's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between the foreign currencies and the respective functional currencies are as follows:

December 31, 2018

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 8,219	30.6650 (USD:NTD)	$ 252,042
EUR	501	35.1574 (EUR:NTD)	17,605
JPY	6,163	0.2776 (JPY:NTD)	1,711
RMB	499	4.4836 (RMB:NTD)	2,239
Non-monetary items			
Investments accounted for using the equity method			
USD	109,581	30.6650 (USD:NTD)	3,360,288
JPY	256,398	0.2776 (JPY:NTD)	71,176
Financial liabilities			
Monetary items			
USD	8,334	30.6650 (USD:NTD)	255,558
EUR	39	35.1574 (EUR:NTD)	1,364
JPY	3,730	0.2776 (JPY:NTD)	1,036

December 31, 2017

	Foreign Currency (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 9,951	29.8480 (USD:NTD)	$ 297,024
EUR	389	35.6922 (EUR:NTD)	13,876
JPY	18,172	0.2650 (JPY:NTD)	4,815
RMB	32,598	4.5715 (RMB:NTD)	149,023
Non-monetary items			
Investments accounted for using the equity method			
USD	112,001	29.8480 (USD:NTD)	3,343,000
JPY	266,385	0.2650 (JPY:NTD)	70,592
Financial liabilities			
Monetary items			
USD	8,896	29.8480 (USD:NTD)	265,513
JPY	7,332	0.2650 (JPY:NTD)	1,943

The significant unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	30.1843 (USD:NTD)	$ 108	30.4436 (USD:NTD)	$ 487
RMB	4.5518 (RMB:NTD)	12	4.5029 (RMB:NTD)	46
EUR	35.1574 (EUR:NTD)	(22)	35.3528 (EUR:NTD)	2
JPY	0.2727 (JPY:NTD)	3	0.2651 (JPY:NTD)	56
		$ 101		$ 591

26. SEPARATELY DISCLOSED ITEMS

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

1) Financing provided: None.

2) Endorsements/guarantees provided: None.

3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 1 below.

4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: None.

5) Acquisitions of individual real estate properties at costs of at least NT $300 million or 20% of the paid-in capital: None.

6) Disposals of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None.

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 2 below.

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: See Table 3 below.

9) Trading in derivative instruments: None.

10) Information on investees: See Table 4 below.

c. Information on investments in mainland China:

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 5 below.

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: See Table 6 below.

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

TABLE 1

SILITECH TECHNOLOGY CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Name of Held Company	Type and Name of Marketable Securities	Relationship with the Held Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units (In Thousands)	Carrying Value (Foreign Currencies in Thousands)	Percentage of Ownership (%)	Fair Value (Foreign Currencies in Thousands)	
Silitech Technology Corporation	Ordinary shares							
	Chi Mei Mold Co., Ltd.	Member of the board of directors	Financial assets at FVTOCI	1,300	$ 7,308	10.00	$ 7,308	
	RTR-TECH Technology Co., Ltd.	-	Financial assets at FVTOCI	6,820	-	9.46	-	Note

Note: The carrying values of financial instruments were all assessed for impairment.

TABLE 2

SILITECH TECHNOLOGY CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts (Payable) or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Silitech Technology Corporation	Silitech Technology Corporation Limited	Third-tier subsidiary	Purchase	$ 708,578	85	90 days	No significant difference	90-120 days	$ (257,013)	82	
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	Sale	US$ 23,253 JPY 11,150 EUR 78	98	90 days	No significant difference	90-120 days	US$ 8,303 JPY 3,730 EUR 39	100	

SILITECH TECHNOLOGY CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of Foreign Currencies)

Company Name	Related Party	Nature of Relationship	Ending Balance of Inter-trade Receivables	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Bad Debts	Note
					Amount	Action Taken			
Silitech Technology Corporation Limited	Silitech Technology Corporation	Parent	US$ 8,303 JPY 3,730 EUR 39	2.72	$ -	-	US$ 2,200 JPY 404	$ -	

SILITECH TECHNOLOGY CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated 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
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Value			
Silitech Technology Corporation	Silitech (BVI) Holding Ltd.	British Virgin Islands	Investment activities	US$ 95,182	US$ 95,182	95,182	100.00	$ 3,360,288	US$ 848	$ 25,397	Subsidiary
	Lite-On Japan Ltd.	Japan	Sale of LED optical products and power supplies	JPY 197,040	JPY 197,040	980	7.87	71,176	JPY (17,352)	(337)	Accounted for using the equity method

Note: Refer to Table 5 for information on investments in mainland China.

SILITECH TECHNOLOGY CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investments from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investments from Taiwan as of December 31, 2018	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profits/Losses (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Note
					Outflow	Inflow							
Xurong Electronic (Shenzhen) Co., Ltd.	Manufacture of automotive parts, touch panels and plastic and rubber assemblies	$ 85,862 (US$ 2,800)	Note 1	$ 203,354	$ -	$ -	$ 203,354	$ (202,669) (RMB -44,525)	100.00	$ (202,669) (RMB -44,525)	$ 619,030 (RMB 138,077)	$ 4,037,143 (US$ 122,919) (RMB 71,822)	
Silitech Technology (Suzhou) Co., Ltd.	Manufacture and sale of automotive parts	827,955 (US$ 27,000)	Note 1	2,391,870 (US$ 78,000)	-	-	2,391,870 (US$ 78,000)	102,329 (RMB 22,481)	100.00	102,329 (RMB 22,481)	433,743 (RMB 96,748)	1,243,149 (US$ 8,796) (RMB 214,783)	(Note 6)

Accumulated Investments in Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$ 2,687,219 (Note 4) (US$ 81,000) ($ 203,354)	$ 2,837,631 (Note 4) (US$ 85,905) ($ 203,354)	$7,538,445 (Note 3)

Note 1: Indirect investment in mainland China through holding companies

Note 2: The financial statements used as basis for calculating the investment amounts were all audited by the independent auditors.

Note 3: The Company's upper limit on investments to China (calculated based on the higher of 60% of Silitech Technology Corporation's net worth or worth of $80 million plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $3,763,588 (net worth) × 60% ＋ $5,208,292 ＝ $7,538,445

Note 4: Investment amounts approved by the Ministry of Economic Affairs, ROC are as follows:

Name of Investee	Order No.	Approved Amounts	
Xurong Electronic (Shenzhen) Co., Ltd.	091030841	NT$	203,354
Silitech Electronic (Changshu) Ltd. (liquidated in October 2010)	093032599	US$	3,000
Silitech Technology (Suzhou) Co., Ltd.	09600170390	US$	20,000
Silitech Technology (Suzhou) Co., Ltd.	09600164790	US$	2,000
Silitech Technology (Suzhou) Co., Ltd.	09500326290	US$	11,000
Silitech Technology (Suzhou) Co., Ltd.	09700434630	US$	45,000
Silitech Plating (ShenZhen) Co., Ltd. (liquidated in September 2012)	09500004400	US$	605
Suzhou Xulong Mold Producting Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	09700063560	US$	1,200
Suzhou Xulong Mold Producting Co., Ltd. (liquidated in May 2018) (Notes 5 and 7)	10000321080	US$	1,500
Silitech Surface Treatment(ShenZhen) Co., Ltd(liquidated in December 2012)	09900449200	US$	1,600

Note 5: Including accumulated investment of US$2,700 thousand which is not from Taiwan (ROC).

Note 6: Silitech Technology (Suzhou) Co., Ltd.'s original paid-in capital was US$78,000. On September 13, 2018,the board of directors decided to return US$51,000 thousand through cash reduction to upper level shareholders - Silitech (Hong Kong) Holding Ltd. US$40,000 thousand was completed on December 31, 2018.

Note 7: Suzhou Xulong Mold Producing Co., Ltd. was dissolved after liquidation in May 2018. The share capital of $58 thousand was remitted to Silitech Technology Corporation Limited and was approved on June 25, 2018 by Order No. 10730038150.

TABLE 6

SILITECH TECHNOLOGY CORPORATION

SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Transaction Type	Purchase/Sale		Price	Transaction Details		Notes/Accounts Receivable (Payable)		Unrealized (Gain) Loss	Note
		Amount	%		Payment Terms	Comparison with Normal Transactions	Ending Balance	%		
Xurong Electronic (Shenzhen) Co., Ltd.	Sale	$ 9,916	1	No significant difference	90 days	60-90 days	$ 1,730	1	$ -	-
	Purchase	708,578	85	No significant difference	90 days	90-120 days	(257,013)	82	185	-

6.6 Financial Difficulties and Impacts

The Company should disclose the financial impact if the Company and its affiliated companies have incurred any financial or cash flow difficulties in 2018 and as of the date of this Annual Report (The term "affiliates" refers to entities meeting the requirements set forth under Article 369-1 of the Company Act.): None.

Financial Status, Operating Results and Risk Management

7.1 Financial Status

Unit: NT$ thousands; %

Year / Item	2017	2018	Difference	
			Amount	%
Current Assets	4,049,950	3,972,433	(77,517)	(2)
Property, Plant and Equipment	552,087	502,160	(49,927)	(9)
Other Non-current Assets	263,013	269,389	6,376	2
Total Assets	4,865,050	4,743,982	(121,068)	(2)
Current Liabilities	945,650	881,038	(64,612)	(7)
Non-current Liabilities	116,205	99,356	(16,849)	(14)
Total Liabilities	1,061,855	980,394	(81,461)	(8)
Capital Stock	1,893,838	1,793,838	(100,000)	(5)
Capital Surplus	535,425	507,154	(28,271)	(5)
Retained Earnings	1,747,195	1,745,437	(1,758)	(0)
Total Equity	3,803,195	3,763,588	(39,607)	(1)

Analysis of deviation over 20%: None.

7.2 Operating Results

Unit: NT$ thousands; %

Item \ Year	2017	2018	Difference	%
Operating Revenue	2,285,054	2,251,044	(34,010)	(1)
Cost of Goods Sold	1,981,123	1,961,808	(19,315)	(1)
Gross Profit	303,931	289,236	(14,695)	(5)
Operating Expenses	430,989	440,512	9,523	2
Income (Loss) from Operations	(127,058)	(151,276)	(24,218)	(19)
Non-operating Income and Expenses	38,215	194,331	156,116	409
Income (Loss) before Income Tax	(88,843)	43,055	131,898	(148)
Income Tax Expense (Benefit)	(6,738)	76,871	83,609	(1,241)
Net Income (Loss)	(82,105)	(33,816)	48,289	(59)

7.2.1 Analysis of Deviation over 20%:

- Increase in non-operating income and expenses: due to the gain from disposal of non-current assets held for sale and the gain of foreign currency exchange.
- Increase in net profit before tax: explained as above.
- Decrease in net loss: explained as above.
- Increase in income tax expenses: mainly due to the increase in net profit before tax.

7.2.2 Sales Forecast, Major Impact and Future Plan

Confronting such fluctuations in the macroeconomic environment, Silitech will redeploy global sales and production businesses, continuing our dedication to cross-industry applications. In terms of production operations, Silitech provides customers with flexible services in preliminary product design and R&D, while also improving the speed and precision of product development and product verification, in pursuit of higher market share. Meanwhile, we plan and execute advanced manufacturing (preliminary smart manufacturing), while continuing to pursue automation, thereby reducing labor costs and improving production efficiency. Regarding Mechanical Integration in 2019, we expect that mobile phone keypad manufacturing will continue to decline, while the customer base for 3C cross-industry Mechanical Integration will gradually start to develop. Mechanical and optical module applications will increase. Regarding Automotive Components, automotive interior mechanical modules/components will continue to grow and profit steadily, while automotive interior glass will also grow considerably.

7.3 Cash Flow

7.3.1 Analysis of Cash Flow

Unit: NT$ thousands

Cash Balance 12/31/2017 (1)	Net Cash from Operating Activities in 2018 (2)	Net Cash Flow from Investing and Financing Activities in 2018 (3)	Cash Balance 12/31/2018 (1)＋(2)＋(3)	Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
2,479,149	(299,005)	502,742	2,682,886	Not Applicable	

- Analysis of Cash Flow:
  1. NT$299,005 thousand net cash used in operating activities: mainly due to operating income and expenses.
  2. NT$504,386 thousand net cash generated by investing activities: mainly due to the purchase of property, plant and equipment and the disposal of the land use right and buildings of Suzhou factory.
  3. NT$1,238 thousand net cash used in financing activities.
  4. NT$406 thousand net cash outflow caused by effects of exchange rate changes.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.3.2 Analysis of Liquidity

Item \ Year	2017	2018	%
Cash Flow Ratio (%)	(16.35)	(33.94)	(108)
Cash Flow Adequacy Ratio (%)	44.77	8.83	(80)
Cash Flow Reinvestment Ratio (%)	(2.71)	(5.38)	(99)

- Analysis of deviation over 20%:
  1. Decrease in Cash Flow Ratio (%): mainly due to the increase in the inventories and the decrease in the account payables, which caused net cash outflow from operating activities to increase in 2018.
  2. Decrease in Cash Flow Adequacy Ratio (%): explained as above.
  3. Decrease in Cash Flow Adequacy Ratio (%): explained as above.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.3.3 Cash Flow Projection for Next Year

Unit: NT$ thousands

Cash Balance 12/31/2018 (1)	Projected Net Cash from Operating Activities in 2019 (2)	Projected Net Cash Flow from Investing and Financing Activities in 2019 (3)	Projected Cash Balance 12/31/2019 (1)＋(2)＋(3)	Projected Remedy for Liquidity Shortfall	
				Investment Plan	Financing Plan
2,682,886	(42,332)	(1,074,673)	1,565,881	Not Applicable	

- Analysis of Cash Flow Projection:
  1. NT$42,332 thousand net cash used in operating activities: mainly due to operating income and expenses.
  2. NT$119,711 thousand net cash generated by investing activities: mainly due to the purchase of property, plant and equipment and the disposal of the land use right and buildings of Suzhou factory.
  3. NT$1,194,384 thousand net cash used in financing activities: mainly for capital reduction.
- Remedial Actions for Liquidity Shortfall: Not Applicable.

7.4 Major Capital Expenditures and Impact on Financial and Business

7.4.1 Major Capital Expenditures and Source of Funds

Unit: NT$ thousands

Item	Actual or Expected Source of Funds	Total Amount	Actual or Scheduled Use of Funds		
			2017	2018	2019
Production equipment and facilities	Working Capital	332,079	92,521	96,297	143,261
Others	Working Capital	84,044	17,459	32,846	33,739
Total		416,123	109,980	129,143	177,000

7.4.2 Expected Benefits and Impact on Financial and Business:

The above capital expenditures are required for business expansion and the funds required are funded by working capital.

7.5 Long-term Investment Policy

Silitech continues deploying the application of automotive components and core technologies to cross-industry products. In 2018, Silitech disposed of the land use right and buildings of Suzhou factory. In the future, the module/mechanical integration components and automotive components will continue to grow steadily. By integrating industry trends and focusing on the deepening of core technologies to create new products with added value. The investment will be focused on the core business of the Company. .

7.6 Risk Management

7.6.1 The impact of recent interest rates, exchange rate changes, and inflation on the company's profit and loss in the recent year and future measures

Changes in interest rates and inflation have no material impact on Silitech's operations and profit or loss. As for the exchange rate changes, due to Silitech's export sales, in order to avoid the impact of exchange rate fluctuations, Silitech uses foreign exchange spot and forward contracts to avoid exchange rate fluctuation risks. At the same time, in addition to maintaining close contact with the banks, Silitech will continue to refer to domestic and foreign professional economic reports and data, and immediately grasp the changes in the global economic situation.

7.6.2 The main reasons for the policy, profit or loss of high-risk, high-leverage investment, loan to others, endorsement/guarantee and derivative transactions in the recent year and future measures

Silitech does not engage in high-risk, highly leveraged investments, loans to others and endorsements/guarantee. With regard to the loan of funds to others, endorsement guarantees and derivative transactions, Silitech has formulated the "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees" and "Procedures for the Acquisition and Disposal of Assets" to regulate the loan of funds to others, endorsement guarantees and derivatives. The derivative transactions dealt by Silitech are for the purpose of hedging only.

7.6.3 Research and development plans in the recent year and future plans

Silitech has developed in the smart key, automotive interior glass and optical module products industry. In addition to providing customers with pre-product design and research and development flexible services, Silitech also implements the planning and execution of advanced manufacturing (pre-intelligent manufacturing) to improve production efficiency. Relevant research and development plans and progress will be carried out according to the plan. In the future, we will continue to invest in product research and development, key factors such as talents, capital and technology, and maintain the leading position in research and development capabilities. The estimation of R&D expenses is around NT$ 120 million in 2019.

7.6.4 Impact of material domestic and international policies and legal changes on the company's financial and business in the recent year and corresponding measures

Silitech's operation complies with the relevant current laws and regulations of domestic and foreign countries. In addition to providing legal change information through online collection and legal counsel employed at home and abroad, overseas subsidiaries also irregularly provide important local policies and laws for reference of the management team. Therefore, Silitech can reply the changes in material policies and laws effectively.

7.6.5 Impact of recent technological changes and industry changes on the company's financial and business and corresponding measures

Silitech is one of the leading manufacturers in the industry. R&D technology and innovation are indispensable for operation. It is also a major competitive advantage of Silitech. Therefore, the technology change has positive effects on the financial and business of the Company. Silitech will also continue to maintain its leading position in R&D technology.

7.6.6 The impact of corporate image changes in recent years on corporate crisis management and corresponding measures

Silitech's business objectives are based on the principle of sound and ethical management, the corporate image is good, attracting many outstanding talents, and planting the strength of the management team, and then returning the operating results to the shareholders, and fulfilling the social responsibilities, so there will not be any negative impacts on the image of Silitech. Silitech will continue to do its best to maximize the shareholders' interests, fulfill the corporate social responsibility and make the corporate image even better.

7.6.7 Expected benefits and possible risks of M&A in the recent year

Silitech has not conducted any mergers and acquisitions in the most recent year and up to the date of publication of the annual report.

7.6.8 Expected benefits and possible risks of expansion of the plant in the recent year

Please refer to 7.4 Major Capital Expenditures and Impact on Financial and Business.

7.6.9 Risks of purchase or sales concentration in the recent year

Silitech has been established from the spin-off of Silitek Corporation Rubber BU. It has many years of profound cooperation experience and partnership with material suppliers. The raw material procurement of Silitech's global production base are negotiated together. When purchasing materials, there is a relative bargaining power and a stable supply source. In addition, Silitech has a large variety source of purchases and no centralized purchase.
The customers of Silitech are mainly international manufacturers or EMS. Silitech is more active in business development for different customers and developing product applications to expand customer base. Therefore, Silitech has no risk on sales concentration.

7.6.10 Directors or shareholders holding more than 10% of the shares, the impact of a large number of shares transferred or replaced on the company and risks: None.

7.6.11 Impact of changes in management rights on the company and risks: Not applicable.

7.6.12 Litigation or non-litigation

Should the Company, its directors, general managers, substance representatives, subordinate companies and major shareholders holding more than 10% of the shares in the last two years have the litigation, non-litigation or administrative disputes up to the date of this annual report: None.

7.6.13 Policy and organizational structure of risk management

- **Organization and operation of risk management**

  There are considerable variables in operation, growth and even scale adjustments of a company. Silitech pursues the maximization of shareholders' interests and protects all employees and reduces its operating risks in a responsible manner. According to this spirit, the risk management procedure is established, and the management cycle is divided into four categories: project category, operation category, improvement category and other category. Aiming at possible risk causes, each cycle of risk management has its responsible unit. The timing of prevention planning, preventive measures, review cycle, etc., will be proposed by the responsible units. The review of improvement plan will be served as a reference for similar events in the future.

  Silitech's operational risk management is divided into three levels for management and control: the responsible unit is the first mechanism, and it takes responsibility for the design, prevention and prevention of the initial risk detection, evaluation and control of the operation. The second mechanism is the evaluation committee chaired by the president. In addition to the feasibility assessment, it also includes assessments of various risks. The third mechanism, it includes audit department's review of the potential operational risks, regular internal audit reports to the board of directors, and review of the board of directors.

- **Organization table of risk management**

<table>
<tr><th>Important risk assessment</th><th>Responsible Unit (first mechanism)</th><th>Risk review and control (second mechanism)</th><th>BOD and Audit Department (third mechanism)</th></tr>
<tr><td>1. Interest rates, exchange rates and financial risks
2. High-risk, high-leverage investment, l loans to others, endorsement guarantees and derivative commodity transactions and financial management investment</td><td>Treasury Unit</td><td>Finance Department Assessment</td><td rowspan="2">Board of Directors: decision and final control of risk assessment Control

Audit Department: risk inspection, assessment, supervision, improvement tracking and reporting</td></tr>
<tr><td>3. Research and development plan
4. Policy and legal changes
5. Technology and industry changes
6. Corporate image change
7. Merger benefits</td><td>R&D Department
Legal Office
President’s Office
Finance Department
Sales Department (including sales, procurement,</td><td>R&D, operation and production and sales meetings</td></tr>
</table>

8. Expansion of the plant or production 9. Centralized purchase or sales	manufacturing, production management, quality control and quality assurance)		
10. Equity movement of directors or major shareholders 11. Changes in management rights	Finance Department	Management meeting	
12. Litigation or non-litigation matters	Legal Office	Legal meeting	
13. Personnel behavior, morality and integrity	Supervisors Human Resource Department	Human resources meeting	
14. Management of the board of directors	Finance Department	Legal Office, Audit Department	

7.6.14 Other Important Risks: None.

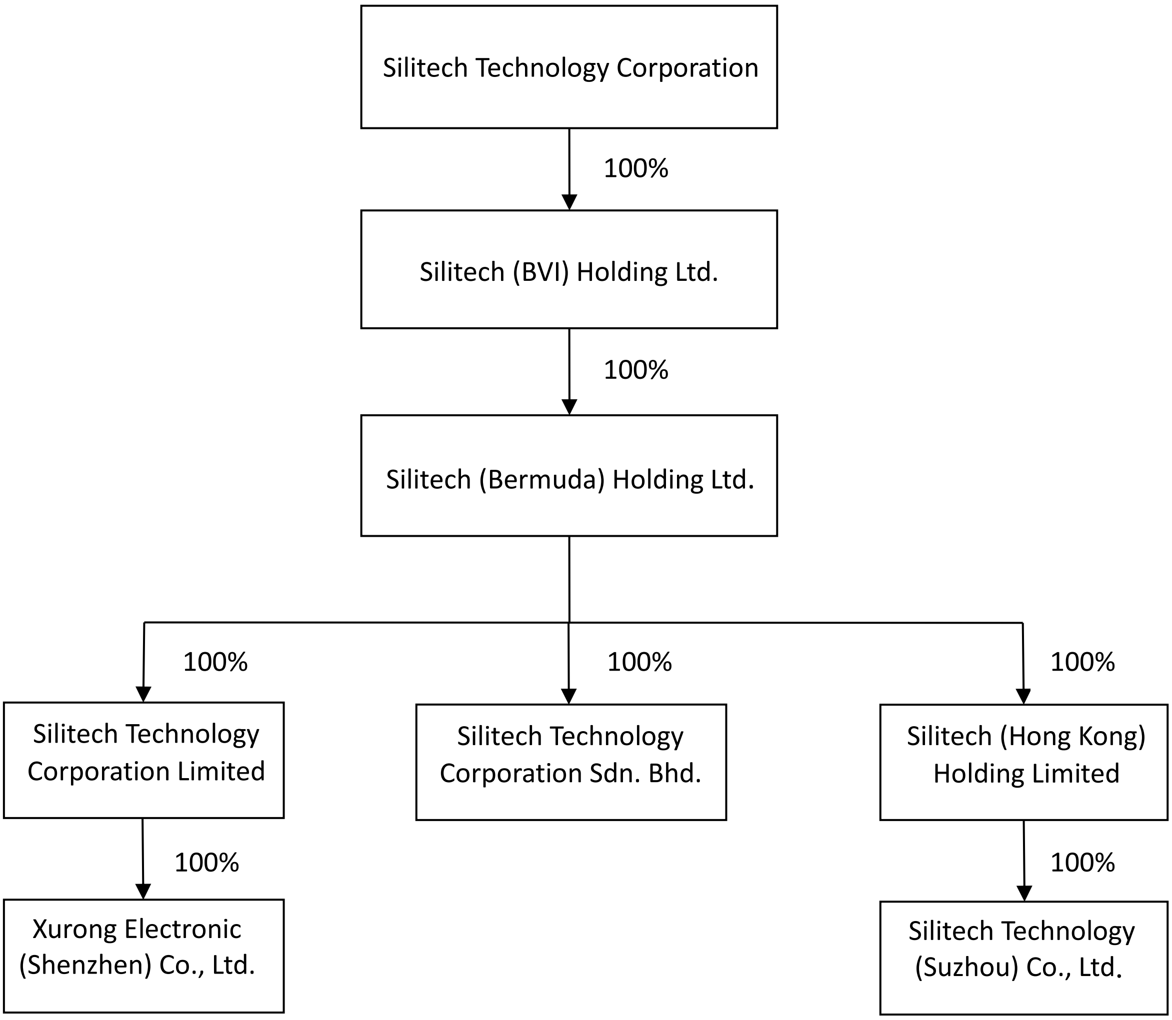
7.7 Other Important Matters: None.

Other Special Notes

8.1 Affiliates Information

8.1.1 Affiliated Organization Chart

2018/12/31



8.1.2 Consolidated Business Report of Affiliates

- **Background Information of the Affiliated Companies**

2018/12/31
Unit: NT$ thousands

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Silitech (BVI) Holding Ltd.	2001/09/27	Portcullis Chambers, 4th Floor, Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110	USD 95,182	Investment activities
Silitech (Bermuda) Holding Ltd.	2002/08/28	Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda	USD 95,132	Investment activities
Silitech Technology Corporation Sdn. Bhd.	2002/05/09	1528, MK 15, Jalan Besar, 14200 Sungai Jawi, Seberang Perai Selatan Penang, Malaysia	MYR 21,400	Manufacture of computer peripheral products
Silitech Technology Corporation Limited	2002/01/16	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 8,000	Manufacture of plastic and computer peripheral products
Silitech Technology (Suzhou) Co., Ltd.	2005/06/08	3F, No. 4,Building 12, No. 8, Gucun Road, Xukou Town, Wuzhong District, Suzhou, Jiangsu	USD 27,000	Manufacture and sale of automotive parts
Xurong Electronic (Shenzhen) Co., Ltd.	1999/12/24	No. 539 (Building A, C, D, E) Nanhuan Road, Shajing Town, Baoan District. Shenzhen, Guangdong	USD 2,800	Manufacture of automotive parts, touch panels and plastic and rubber assemblies
Silitech (Hong Kong) Holding Limited	2007/10/17	Rm1610-11 CC, Wu Building, 302-8 Hennessy Road, Wanchai, HK	USD 77,200	Investment activities

- **Presumed to Have Control and Affiliation Common Shareholders Information:** None

- **Business Scope of the Company and Affiliated Companies:**
  The business scope includes investment, manufacturing, trading and electronics industries.

- **Rosters of Directors, Supervisors, and Presidents of Affiliated Companies:**

2018/12/31

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding %)
Silitech (BVI) Holding Ltd.	Director	Raymond Soong	Silitech Technology Corporation holds 95,182 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Silitech (Bermuda) Holding Ltd.	Director	Raymond Soong	Silitech (BVI) Holding Ltd. holds 95,132 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Silitech Technology Corporation Sdn. Bhd.	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 21,400 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
	Director/President	Tye LeeKeong		
Silitech Technology Corporation Limited	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 62,400 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		
Xurong Electronic (Shenzhen) Co., Ltd.	Director	Raymond Soong	Silitech Technology Corporation Limited’s Investment RMB 37,131 thousand	100%
	Director	Warren Chen		
	Director/President	James Huang		
	Supervisor	Sarah Cheng		
Silitech Technology (Suzhou) Co., Ltd.	Director	Raymond Soong	Silitech (Hong Kong) Holding Limited’s investment USD 27,000 thousand	100%
	Director	Warren Chen		
	Director/President	James Huang		
	Supervisor	Sarah Cheng		
Silitech (Hong Kong) Holding Limited	Director	Raymond Soong	Silitech (Bermuda) Holding Ltd. holds 77,200 thousand shares	100%
	Director	Warren Chen		
	Director	James Huang		

◆ **Operational Highlights of Affiliated Companies**

2018/12/31

Unit: NT$ thousands (Except EPS: NT$)

Company	Capital Stock	Assets	Liabilities	Net Worth	Operating Revenues	Income (Loss) from Operation	Net Income (Loss)	Basic Earnings (Loss) Per Share
Silitech (BVI) Holding Ltd.	2,918,754	3,360,639	5	3,360,634	0	(65)	25,397	0.27
Silitech (Bermuda) Holding Ltd.	2,917,221	3,358,559	10	3,358,549	1,712	30,447	25,657	0.27
Silitech Technology Corporation Limited	297,679	934,855	257,271	677,584	722,569	(41)	(199,423)	(3.20)
Xurong Electronic (Shenzhen) Co., Ltd.	103,990	1,071,374	452,345	619,029	1,093,177	(162,324)	(202,669)	NA
Silitech Technology Corporation Sdn. Bhd.	158,283	696,347	253,423	442,924	898,710	111,717	89,481	4.18
Silitech Technology (Suzhou) Co., Ltd.	1,303,212	486,399	52,656	433,743	0	(38,398)	102,329	NA
Silitech (Hong Kong) Holding Limited	2,518,773	1,771,082	108	1,770,974	0	(96)	105,943	1.37

Note: The amounts of capital stock, assets, liabilities and net worth are converted at the exchange rate of 2018/12/31; Operating Revenues, income (loss) from operation, net income (loss), basic earnings (loss) per share are converted according to the average exchange rate of 2018.

8.1.3 Consolidation of Financial Statements of Affiliates

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard No. 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 25, 2019

8.1.4 Affiliation Report

DECLARATION OF AFFILIATION REPORT

The Company hereby declares that the Company's 2018 Affiliation Report (from January 1, 2018 to December 31, 2018) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and there are no significant inconsistencies between the information given above and the supplementary information disclosed in the notes to financial statements for the above period.

Very truly yours,

SILITECH TECHNOLOGY CORPORATION

By

RAYMOND SOONG
Chairman

February 25, 2019

February 25, 2019 Deloitte & Touche No. 108004191

Addressee: Silitech Technology Corporation

Subject: Comments on the declaration of affiliation report certifying no significant inconsistencies in the information disclosed in your 2018 Affiliation Report

Descriptions:

1. You declared that your 2018 Affiliation Report (from January 1, 2018 to December 31, 2018) was prepared pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" on February 25, 2019, and there are no significant inconsistencies between the information disclosed herein and the supplementary information disclosed in the notes to financial statements for the above period. For the Declaration of Affiliation Report, please see the attachment hereto.
2. We have audited your Affiliation Report prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and compared it with the notes to your 2018 financial statements. As a result, we found no significant inconsistences from said declaration of statement.

Deloitte & Touche
Yung-Hsiang Chao, CPA
Jr-Shian Ke, CPA

Silitech Technology Corporation

Affiliation Report

2018

1. Relationship between the subordinate company and the controlling company

Unit: shares; %

Controlling company	Reasons for control	Shareholding and pledges by the controlling company			Directors and managers representing the controlling company	
		Shares held	Shareholding ratio (%)	Quantity of pledged shares	Title	Name
Lite-On Technology Corporation	Control the Company's personnel and business directly or indirectly	60,757,310	33.87	-	Chairman Director Director Director	Raymond Soong Warren Chen Charlie Tseng King, Yung-Chou

2. Information on transactions

(1) Purchase (sales) transactions: In 2018, the Company sold goods of NT$1,316 thousand to Lite-On Technology Corporation.

(2) Property transaction: None.

(3) Capital financing: None.

(4) Assets leasing: None.

(5) Other important transactions: The Company and Lite-On Technology Corporation signed a contract regarding stock affair consulting, management and related services, which amounted to NT$ 4,368 thousand in 2018. In addition, there was other income of NT$409 with Lite-On Technology Corporation in 2018.

(6) Endorsements/guarantees: None.

8.2 Private Placement Securities in the Most Recent Year and up to the Publication Date of this Annual Report: None.

8.3 The Company's Common Shares Acquired, Disposed Of and Held by Subsidiaries: None.

8.4 Other Necessary Supplement: None.

9 Any Events Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of the Securities and Exchange Act: None.