# Silitech Technology Corporation and Subsidiaries

## Consolidated Financial Statements for the Six Months Ended June 30, 2018 and 2017 and Independent Auditors' Review Report

Deloitte.

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# INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Silitech Technology Corporation

## Introduction

We have reviewed the accompanying consolidated balance sheets of Silitech Technology Corporation and its subsidiaries (the Group) as of June 30, 2018 and 2017, the consolidated statements of comprehensive income, for the three and six months ended June 30, 2018 and 2017, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as 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 International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

## Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standard No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Basis for Qualified Conclusion

As disclosed in Note 15 to the consolidated financial statements, the financial statements of some non-significant subsidiaries included in the consolidated financial statements were not reviewed. As of June 30, 2018 and 2017, the combined total assets of these non-significant subsidiaries were NT$41,681 thousand and NT$47,054 thousand, respectively, representing 0.91% and 1.20%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT$0 and NT$10 thousand, respectively, representing 0% and 0%, respectively, of the consolidated total liabilities; for the three and six months ended June 30, 2018 and 2017, the combined comprehensive income (loss) of these subsidiaries were NT$3 thousand, NT$(56) thousand, NT$0 and NT$(1,097) thousand, respectively, representing 0%, (0.23%), 0% and (0.58%), respectively, of the consolidated total comprehensive income (loss) for the three and six months ended June 30, 2018 and 2017. As stated in Note 16 to the consolidated financial statements, the investments accounted for using the equity method, as of June 30, 2018 and 2017, were NT$73,061 thousand and NT$70,275 thousand, respectively, and the consolidated equity in these investees' net loss and gain amounted to NT$724 thousand, NT$1,577 thousand, NT$1,802 thousand and NT$1,805 thousand, respectively, for the three and six months ended June 30, 2018 and 2017, and the related investment amounts as well as additional disclosures are based on these investees' unreviewed financial statements for the same reporting periods as those of the Group.

## Qualified Conclusion

Based on our reviews, except for the adjustments, if any, as might have been determined to be necessary had the financial statements of the non-significant subsidiaries and other investees accounted for using the equity method as described in the preceding paragraph been reviewed, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018 and 2017, its consolidated financial performance for the three and six months ended June 30, 2018 and 2017, and its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting".

The engagement partners on the reviews resulting in this independent auditors' review report are Yung-Hsiang Chao and Jr-Shian Ke.

Deloitte & Touche
Taipei, Taiwan
Republic of China

July 26, 2018

<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 review such consolidated financial statements are those generally applied in the Republic of China.*

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

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEETS**
**(In Thousands of New Taiwan Dollars)**

| | June 30, 2018 (Reviewed) | | December 31, 2017 (Audited) | | June 30, 2017 (Reviewed) | |
|---|---|---|---|---|---|---|
| **ASSETS** | **Amount** | **%** | **Amount** | **%** | **Amount** | **%** |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents (Note 6) | $ 1,420,216 | 31 | $ 1,712,305 | 35 | $ 1,617,779 | 35 |
| Financial assets at fair value through profit or loss ("FVTPL") (Note 7) | 75 | - | 757 | - | - | - |
| Financial assets at amortized cost (Note 9) | 791,754 | 17 | - | - | - | - |
| Debt instruments with no active market (Note 11) | - | - | 782,785 | 16 | 753,693 | 16 |
| Notes receivable, net | - | - | 46 | - | 145 | - |
| Trade receivables, net (Note 12) | 399,629 | 9 | 463,678 | 10 | 396,396 | 9 |
| Trade receivables from related parties (Notes 12 and 29) | 3,666 | - | 9,116 | - | 18,536 | - |
| Other receivables | 34,694 | 1 | 25,001 | 1 | 36,565 | 1 |
| Other receivables from related parties (Note 29) | 15,946 | 1 | 14,397 | - | 14,315 | - |
| Current tax assets | 1,278 | - | 968 | - | 1,351 | - |
| Inventories, net (Note 13) | 139,378 | 3 | 120,725 | 2 | 100,019 | 2 |
| Non-current assets held for sale (Note 14) | 823,706 | 18 | 815,143 | 17 | - | - |
| Other current assets (Note 19) | 104,065 | 2 | 105,029 | 2 | 81,011 | 2 |
| Total current assets | 3,734,407 | 82 | 4,049,950 | 83 | 3,019,810 | 65 |
| NON-CURRENT ASSETS | | | | | | |
| Financial assets at fair value through profit or loss ("FVTPL") (Note 7) | 27,952 | 1 | - | - | - | - |
| Financial assets at fair value through other comprehensive income ("FVTOCI") (Note 8) | 11,165 | - | - | - | - | - |
| Financial assets measured at cost (Note 10) | - | - | 38,519 | 1 | 39,058 | 1 |
| Investments accounted for using the equity method (Note 16) | 73,061 | 1 | 70,592 | 2 | 70,275 | 1 |
| Property, plant and equipment, net (Note 17) | 554,392 | 12 | 552,087 | 11 | 910,613 | 20 |
| Investment properties, net (Note 18) | - | - | - | - | 399,581 | 9 |
| Intangible assets, net | 3,088 | - | 945 | - | 1,541 | - |
| Deferred tax assets | 132,910 | 3 | 131,329 | 3 | 118,137 | 3 |
| Refundable deposits | 2,287 | - | 6,111 | - | 6,001 | - |
| Other non-current assets (Note 19) | 29,317 | 1 | 15,517 | - | 48,875 | 1 |
| Total non-current assets | 834,172 | 18 | 815,100 | 17 | 1,594,081 | 35 |
| TOTAL | $ 4,568,579 | 100 | $ 4,865,050 | 100 | $ 4,613,891 | 100 |
| **LIABILITIES AND EQUITY** | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Financial liabilities at fair value through profit or loss (Note 7) | $ 1,301 | - | $ - | - | $ 509 | - |
| Notes payable | - | - | 18,618 | 1 | 10,371 | - |
| Trade payables | 342,896 | 8 | 461,108 | 10 | 313,796 | 7 |
| Trade payables to related parties (Note 29) | 1,335 | - | 909 | - | 57 | - |
| Other payables (Note 20) | 311,969 | 7 | 398,818 | 8 | 340,205 | 7 |
| Other payables to related parties (Note 29) | 6,419 | - | 11,120 | - | 11,531 | - |
| Current tax liabilities | - | - | 2,908 | - | 19,740 | 1 |
| Provisions (Note 21) | 2,363 | - | 2,637 | - | 210 | - |
| Other current liabilities | 40,709 | 1 | 49,532 | 1 | 64,423 | 2 |
| Total current liabilities | 706,992 | 16 | 945,650 | 20 | 760,842 | 17 |
| NON-CURRENT LIABILITIES | | | | | | |
| Net defined benefit liabilities (Notes 4 and 22) | 63,040 | 1 | 78,933 | 1 | 71,511 | 1 |
| Guarantee deposits | 808 | - | 812 | - | 2,150 | - |
| Deferred tax liabilities | 35,970 | 1 | 36,460 | 1 | 27,297 | 1 |
| Total non-current liabilities | 99,818 | 2 | 116,205 | 2 | 100,958 | 2 |
| Total liabilities | 806,810 | 18 | 1,061,855 | 22 | 861,800 | 19 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY (Note 23) | | | | | | |
| Share capital | | | | | | |
| Ordinary shares | 1,893,838 | 41 | 1,893,838 | 39 | 1,893,838 | 41 |
| Capital surplus | 535,425 | 12 | 535,425 | 11 | 535,425 | 11 |
| Retained earnings | | | | | | |
| Legal reserve | 1,109,766 | 24 | 1,109,766 | 23 | 1,109,766 | 24 |
| Special reserve | 139,742 | 3 | 87,174 | 2 | 87,174 | 2 |
| Unappropriated earnings | 552,884 | 12 | 550,255 | 11 | 545,312 | 12 |
| Total retained earnings | 1,802,392 | 39 | 1,747,195 | 36 | 1,742,252 | 38 |
| Other equity | (235,232) | (5) | (139,742) | (3) | (185,956) | (4) |
| Treasury shares | (234,654) | (5) | (234,654) | (5) | (234,654) | (5) |
| Total equity attributable to owners of the Parent Company | 3,761,769 | 82 | 3,802,062 | 78 | 3,750,905 | 81 |
| NON-CONTROLLING INTERESTS | - | - | 1,133 | - | 1,186 | - |
| Total equity | 3,761,769 | 82 | 3,803,195 | 78 | 3,752,091 | 81 |
| TOTAL | $ 4,568,579 | 100 | $ 4,865,050 | 100 | $ 4,613,891 | 100 |

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

(With Deloitte & Touche review report dated July 26, 2018)

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Loss Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| OPERATING REVENUE (Note 29) | $ 487,363 | 100 | $ 509,031 | 100 | $ 997,982 | 100 | $ 1,037,717 | 100 |
| COST OF GOODS SOLD (Notes 27 and 29) | (465,486) | (96) | (450,521) | (89) | (899,121) | (90) | (914,118) | (88) |
| GROSS PROFIT | 21,877 | 4 | 58,510 | 11 | 98,861 | 10 | 123,599 | 12 |
| OPERATING EXPENSES (Notes 12, 27 and 29) | | | | | | | | |
| Selling and marketing expenses | (25,755) | (5) | (25,866) | (5) | (51,701) | (5) | (52,076) | (5) |
| General and administrative expenses | (59,304) | (12) | (52,786) | (10) | (115,398) | (12) | (101,274) | (10) |
| Research and development expenses | (28,220) | (6) | (24,226) | (5) | (58,141) | (6) | (55,004) | (5) |
| Expected credit gains (losses) | (265) | - | - | - | 2,061 | - | - | - |
| Total operating expenses | (113,544) | (23) | (102,878) | (20) | (223,179) | (23) | (208,354) | (20) |
| LOSS FROM OPERATIONS | (91,667) | (19) | (44,368) | (9) | (124,318) | (13) | (84,755) | (8) |
| NON-OPERATING INCOME AND EXPENSES | | | | | | | | |
| Other income (Notes 24 and 29) | 20,416 | 5 | 19,796 | 4 | 43,019 | 5 | 45,829 | 4 |
| Other gains and losses (Note 24) | 9,897 | 2 | (1,708) | - | 1,440 | - | (51,890) | (5) |
| Finance costs | - | - | (6,327) | (1) | - | - | (11,954) | (1) |
| Share of profit or loss of associates | 724 | - | 1,577 | - | 1,802 | - | 1,805 | - |
| Total non-operating income and expenses | 31,037 | 7 | 13,338 | 3 | 46,261 | 5 | (16,210) | (2) |
| LOSS BEFORE INCOME TAX | (60,630) | (12) | (31,030) | (6) | (78,057) | (8) | (100,965) | (10) |
| INCOME TAX EXPENSE (BENEFIT) (Notes 4 and 25) | (7,227) | (2) | 4,429 | 1 | (5,946) | - | 9,973 | 1 |
| NET LOSS FOR THE PERIOD | (67,857) | (14) | (26,601) | (5) | (84,003) | (8) | (90,992) | (9) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | | | | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | | | | | |
| Income tax benefit relating to items not reclassified subsequently to profit or loss | - | - | - | - | 817 | - | - | - |

(Continued)

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(In Thousands of New Taiwan Dollars, Except Loss Per Share)**
**(Reviewed, Not Audited)**

| | For the Three Months Ended June 30 | | | | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | | 2017 | | 2018 | | 2017 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| Items that may be reclassified subsequently to profit or loss: | | | | | | | | |
| Exchange differences on translating the financial statements of foreign operations | $ 3,920 | 1 | $ 61,726 | 12 | $ 46,015 | 5 | $ (119,058) | (11) |
| Share of the other comprehensive income (loss) of associates accounted for using the equity method | 1,167 | - | (15) | - | 1,336 | - | (1) | - |
| Income tax relating to items that may be reclassified subsequently to profit or loss (Note 25) | (999) | - | (10,490) | (2) | (4,403) | (1) | 20,232 | 2 |
| Other comprehensive income (loss) for the period, net of income tax | 4,088 | 1 | 51,221 | 10 | 43,765 | 4 | (98,827) | (9) |
| TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD | $ (63,769) | (13) | $ 24,620 | 5 | $ (40,238) | (4) | $ (189,819) | (18) |
| NET PROFIT (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Parent Company | $ (67,858) | (14) | $ (26,584) | (5) | $ (84,003) | (8) | $ (90,980) | (9) |
| Non-controlling interests | 1 | - | (17) | - | - | - | (12) | - |
| | $ (67,857) | (14) | $ (26,601) | (5) | $ (84,003) | (8) | $ (90,992) | (9) |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO: | | | | | | | | |
| Owners of the Parent Company | $ (63,807) | (13) | $ 24,614 | 5 | $ (40,293) | (4) | $ (189,762) | (18) |
| Non-controlling interests | 38 | - | 6 | - | 55 | - | (57) | - |
| | $ (63,769) | (13) | $ 24,620 | 5 | $ (40,238) | (4) | $ (189,819) | (18) |
| LOSS PER SHARE (IN NEW TAIWAN DOLLARS; Note 26) | | | | | | | | |
| Basic | $ (0.38) | | $ (0.15) | | $ (0.47) | | $ (0.51) | |
| Diluted | $ (0.38) | | $ (0.15) | | $ (0.47) | | $ (0.51) | |

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

(With Deloitte & Touche review report dated July 26, 2018) (Concluded)

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | Equity Attributable to Owners of the Parent Company | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital | | | Retained Earnings | | | | Other Equity | | | | | | | |
| | Shares (In Thousands) | Amount | Capital Surplus | Legal Reserve | Special Reserve | Unappropriated Earnings | Total | Exchange Differences on Translating Foreign Operations | Unrealized Loss on Financial Asset at FVTOCI | Unrealized Gain (Loss) on Available-for-sale Financial Assets | 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 six months ended June 30, 2017 | - | - | - | - | - | (90,980) | (90,980) | - | - | - | - | - | (90,980) | (12) | (90,992) |
| Other comprehensive loss for the six months ended June 30, 2017, net of income tax | - | - | - | - | - | - | - | (98,781) | (1) | - | (98,782) | - | (98,782) | (45) | (98,827) |
| Total comprehensive loss for the six months ended June 30, 2017 | - | - | - | - | - | (90,980) | (90,980) | (98,781) | (1) | - | (98,782) | - | (189,762) | (57) | (189,819) |
| BALANCE AT JUNE 30, 2017 | 189,384 | $ 1,893,838 | $ 535,425 | $ 1,109,766 | $ 87,174 | $ 545,312 | $ 1,742,252 | $ (186,070) | $ 114 | $ - | $ (185,956) | $ (234,654) | $ 3,750,905 | $ 1,186 | $ 3,752,091 |
| BALANCE AT JANUARY 1, 2018 | 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 (Note 3) | - | - | - | - | - | 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 six months ended June 30, 2018 | - | - | - | - | - | (84,003) | (84,003) | - | - | - | - | - | (84,003) | - | (84,003) |
| Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax | - | - | - | - | - | 817 | 817 | 42,903 | - | (10) | 42,893 | - | 43,710 | 55 | 43,765 |
| Total comprehensive income (loss) for the six months ended June 30, 2018 | - | - | - | - | - | (83,186) | (83,186) | 42,903 | - | (10) | 42,893 | - | (40,293) | 55 | (40,238) |
| BALANCE AT JUNE 30, 2018 | 189,384 | $ 1,893,838 | $ 535,425 | $ 1,109,766 | $ 139,742 | $ 552,884 | $ 1,802,392 | $ (97,044) | $ - | $ (138,188) | $ (235,232) | $ (234,654) | $ 3,761,769 | $ - | $ 3,761,769 |

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

(With Deloitte & Touche review report dated July 26, 2018)

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | $ (78,057) | $ (100,965) |
| Adjustments for: | | |
| Depreciation expenses | 41,862 | 75,069 |
| Amortization expenses | 1,110 | 2,222 |
| Expected credit loss reversed trade receivables | (2,061) | - |
| Impairment loss reversed on trade receivables | - | (654) |
| Net (loss) gain on fair value change of financial assets as at FVTPL | 113 | (1,426) |
| Finance costs | - | 11,954 |
| Interest income | (31,536) | (31,988) |
| Share of profit of associates | (1,802) | (1,805) |
| Net loss (gain) on disposal of property, plant and equipment | 339 | (2,310) |
| Loss on disposal of subsidiaries | 2 | - |
| Write-downs of inventories | 253 | - |
| Loss on disposal of inventories | - | 339 |
| Changes in operating assets and liabilities | | |
| Financial Assets held for trading | (357) | 760 |
| Financial Assets mandatorily classified as at fair value through profit or loss | 160 | - |
| Notes receivable | 46 | (145) |
| Trade receivables | 66,110 | (114,310) |
| Trade receivables from related parties | 5,450 | (7,749) |
| Other receivables | (9,415) | 12,060 |
| Other receivables from related parties | (1,549) | 1,561 |
| Inventories | (18,906) | 12,077 |
| Prepayments | 964 | (14,030) |
| Financial liabilities held for trading | 84 | 858 |
| Notes payable | (18,618) | 5,727 |
| Trade payables | (118,212) | (58,680) |
| Trade payables to related parties | 426 | 57 |
| Other payables | (81,619) | (68,268) |
| Other payables to related parties | (4,701) | 5,497 |
| Provisions | (274) | (17) |
| Other current liabilities | (8,823) | 2,824 |
| Net defined benefit liabilities | (15,076) | 1,363 |
| Cash used in operations | (274,087) | (269,979) |
| Interest received | 14,321 | 19,365 |
| Dividends received | 669 | 532 |
| Interest paid | - | (11,954) |
| Income tax paid | (13,899) | (24,550) |
| Net cash used in operating activities | (272,996) | (286,586) |

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## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Thousands of New Taiwan Dollars)**
**(Reviewed, Not Audited)**

| | For the Six Months Ended June 30 | |
|---|---|---|
| | **2018** | **2017** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of financial assets at amortized cost | $ (1,549,106) | $ - |
| Proceeds from sale of financial assets at amortized cost | 1,557,294 | - |
| Purchase of debt investments with no active market | - | (1,493,593) |
| Proceeds from sale of debt instruments with no active market | - | 1,540,591 |
| Net cash inflow on disposal of subsidiaries | (2) | - |
| Payments for property, plant and equipment | (55,161) | (42,054) |
| Proceeds from disposal of property, plant and equipment | 135 | 2,347 |
| Decrease in refundable deposits | 3,824 | 207 |
| Payments for intangible assets | (3,248) | (1,771) |
| Net cash (used in) generated from investing activities | (46,264) | 5,727 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of long-term borrowings | - | (1,440,000) |
| Proceeds from guarantee deposits received | (4) | 1,336 |
| Decrease in non-controlling interests | (1,188) | - |
| Net cash used in financing activities | (1,192) | (1,438,664) |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES | 28,363 | (67,275) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (292,089) | (1,786,798) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | 1,712,305 | 3,404,577 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | $ 1,420,216 | $ 1,617,779 |

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

(With Deloitte & Touche review report dated July 26, 2018) (Concluded)

# SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017**
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**
**(Reviewed, Not Audited)**

## 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 shareholder's' 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, hereto forth 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 July 26, 2018.

## 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** | **Reclassifications** | **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 | 138,300 | (138,300) | a) |
| | - | 11,165 | | | | |
| 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 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) 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 are not equity instruments.

c) Debt investments previously classified as debt instruments with no active market and measured at amortized cost under IAS 39 were 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 financial assets at FVTOCI of $83 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.

<u>Definition of a lease</u>

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. 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 amount 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.

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) |
|---|---|
| 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 |

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

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 and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

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.

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. 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.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control was lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control was lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 15 and Table 6 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other significant accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2017.

1) Financial instruments

Financial assets and financial liabilities are recognized when a group entity 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) 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 fair value through profit or loss are recognized immediately in profit or loss.

a) Financial assets

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

i. Measurement category

2018

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 the financial asset is mandatorily classified or it is 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 re-measurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

ii) Financial assets at amortized cost

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- 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 by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

- 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

- Financial assets that have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset.

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

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, they will be transferred to retained earnings.

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

2017

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

1) Financial assets at fair value through profit or loss

   Financial assets are classified as at fair value through profit or loss when such financial assets are held for trading.

   Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on re-measurement recognized in profit or loss, including dividends and interest. See Note 28 (financial instruments) for re-measurement of fair value.

2) 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 fair value through profit or loss.

   Available-for-sale financial assets are measured at fair value. 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 the investment is disposed of or is 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 in 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 is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

3) Loans and receivables

   Loans and receivables (including cash and cash equivalents, debt investments with no active market and trade receivables) 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

ii. 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 (i.e. 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 reflected in the weights. Lifetime ECLs represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month 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 fair value through profit or loss, 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 the financial asset, 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 were not assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting receivables, an increase in the number of delayed payments 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 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 are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss 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 the 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.

iii. 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. 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.

b) 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.

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, issue or cancellation of the Parent Company's own equity instruments.

c) Financial liabilities

i. Subsequent measurement

Except the following situation, all financial liabilities are measured at amortized cost using the effective interest method:

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or is designated as at FVTPL.

Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 28.

ii. 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.

d) 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 re-measured 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.

2) 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.

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.

3) Retirement benefits

Pension costs for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

4) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

a) Current tax

According to the Income Tax Law, an additional tax at 10% of 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.

b) 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 and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures 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.

c) 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

Except for the following, the critical accounting judgments and key sources of estimation uncertainty are the same as those in the consolidated financial statements for the year ended December 31, 2017.

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 fair value through other comprehensive income, and when assets are derecognized prior to their maturity, the Group understands the reason 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, and so a prospective change to the classification of those assets would be proper.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on 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 past history, 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 8, 9 and 12. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Cash on hand | $ 480 | $ 567 | $ 591 |
| Checking and demand deposits | 400,079 | 886,583 | 617,349 |
| Cash equivalents (investments with original maturities of less than 3 months) | | | |
| Time deposits | 1,019,657 | 825,155 | 999,839 |
| | $ 1,420,216 | $ 1,712,305 | $ 1,617,779 |

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Financial assets at FVTPL - current | | | |
| Financial assets held for trading | | | |
| Derivative financial assets (not under hedge accounting) | | | |
| Forward exchange contracts | $ 75 | $ 757 | $ - |
| Financial assets at FVTPL - non-current | | | |
| Financial assets mandatorily classified as at FVTPL | | | |
| Non-derivative financial assets | | | |
| Mutual funds | $ 27,952 | $ - | $ - |
| Financial liabilities at FVTPL - current | | | |
| Financial liabilities held for trading | | | |
| Derivative financial liabilities (not under hedge accounting) | | | |
| Forward exchange contracts | $ 1,301 | $ - | $ 509 |

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

| | Currency | Maturity Date | Notional Amount (In Thousands) |
|---|---|---|---|
| June 30, 2018 | | | |
| Forward exchange contracts | USD/MYR | 2018.07.06-2018.09.07 | USD2,200/MYR8,727 |
| | EUR/MYR | 2018.07.25-2018.09.26 | EUR150/MYR714 |
| 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 |
| June 30, 2017 | | | |
| Forward exchange contracts | USD/MYR | 2017.07.20-2017.09.18 | USD1,300/MYR5,580 |
| | EUR/MYR | 2017.07.27-2017.09.27 | EUR480/MYR2,311 |

The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates.

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

**Investments in Equity Instruments at FVTOCI**

| | June 30, 2018 |
|---|---|
| Non-current | |
| Domestic investments | |
| Unlisted shares | $ 11,165 |

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 COSTS - 2018

| | June 30, 2018 |
|---|---|
| Current | |
| Restricted bank deposits (a) | $ 775,593 |
| Time deposits with original maturities of more than 3 months (b and c) | 16,162 |
| | $ 791,754 |

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 June, 2018, the interest rate range for time deposits with original maturities of more than 3 months was from 1.43%-2.25%. 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 30 for information related to investments in financial assets at amortized cost pledged as security.

## 10. FINANCIAL ASSETS MEASURED AT COST - 2017

| | December 31, 2017 | June 30, 2017 |
|---|---|---|
| Non-current | | |
| Domestic unlisted ordinary shares | $ 11,165 | $ 11,165 |
| Mutual fund | 27,354 | 27,893 |
| | $ 38,519 | $ 39,058 |
| Classified according to financial asset measurement categories | | |
| Available-for-sale financial assets | $ 38,519 | $ 39,058 |

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 both December 31, 2017 and June 30, 2017, due to the fact that investments in unlisted stocks continue to result in losses and the value of held investments had already impaired, therefore the difference between the carrying amount and the amount recoverable is recognized as a loss.

## 11. DEBT INVESTMENTS WITH NO ACTIVE MARKET-2017

| | December 31, 2017 | June 30, 2017 |
|---|---|---|
| Restricted bank deposits (a) | $ 766,844 | $ 745,225 |
| Time deposits with original maturities of more than 3 months (b and c) | 15,941 | 8,468 |
| | $ 782,785 | $ 753,693 |

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 and June 30, 2017, the interest rate ranges for time deposits with original maturities of more than 3 months were 1.43%-2.25% and 2.25%-4.2% respectively, at the end of the reporting periods.

c. Refer to Note 30 for information on assets pledged as collateral or for security.

## 12. TRADE RECEIVABLES, NET

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| At amortized cost | | | |
| Gross carrying amount | $ 407,304 | $ 477,880 | $ 418,747 |
| Less: Allowance for impairment loss | (4,009) | (5,086) | (3,815) |
| | $ 403,295 | $ 472,794 | $ 414,932 |

For the six months ended June 30, 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 devalued regularly for credit approvals and 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.

| | Not Past Due | Less than 60 Days | 61 to 210 Days | Over 210 Days | Total |
|---|---|---|---|---|---|
| Expected credit loss rate | - | 0.26% | 60.04% | 100% | - |
| Gross carrying amount | $ 401,550 | $ 1,566 | $ 458 | $ 3,730 | $ 407,304 |
| Loss allowance (Lifetime ECLs) | - | (4) | (275) | (3,730) | (4,009) |
| Amortized cost | $ 401,550 | $ 1,562 | $ 183 | $ - | $ 403,295 |

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

| | For the Six Months Ended June 30, 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 | 940 |
| Less: Net re-measurement of loss allowance | (2,061) |
| Foreign exchange translation | 44 |
| Balance at June 30 | $ 4,009 |

For the six months ended June 30, 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 and June 30, 2017, impairment losses based on past due or impaired trade receivables are fully recognized.

The aging of receivables is as follows:

| | December 31, 2017 | June 30, 2017 |
|---|---|---|
| Not overdue | $ 467,188 | $ 411,671 |
| Overdue | | |
| 1-60 days | 6,941 | 1,131 |
| 61-210 days | 60 | 5,904 |
| 211-240 days | - | 41 |
| Over 240 days | 3,691 | - |
| | $ 477,880 | $ 418,747 |

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 |
| Less: Amounts recovered from the prior year write-offs | - | (88) | (88) |
| Add: Amounts reversed | - | 6 | 6 |
| Foreign exchange translation gains and losses | (126) | (19) | (145) |
| Balance at June 30, 2017 | $ 3,335 | $ 480 | $ 3,815 |

## 13. INVENTORIES, NET

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Raw materials | $ 49,767 | $ 30,262 | $ 23,452 |
| Work in progress | 40,562 | 34,901 | 28,149 |
| Finished goods | 49,049 | 54,591 | 48,418 |
| Inventory in transit | - | 971 | - |
| | $ 139,378 | $ 120,725 | $ 100,019 |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Inventory write-downs (reversals) | $ 723 | $ (4,125) | $ 253 | $ (3,534) |
| Loss of inventory scrapped | - | 339 | - | 339 |

Previous write-downs were reversed as a result of sold of inventory that had been write-downs.

## 14. NON-CURRENT ASSETS HELD FOR SALE

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Land use rights held for sale | $ 30,261 | $ 29,948 | $ - |
| Property, plant and equipment held for sale | 389,652 | 385,601 | - |
| Investment properties held for sale | 403,793 | 399,594 | - |
| | $ 823,706 | $ 815,143 | $ - |

The Group signed the contract selling the land use rights and property, plants and equipment in Suzhou for RMB235,000 thousand with Suzhou Xu Die Industrial Co., Ltd. on July 19, 2018. As of July 26, 2018, the transfer of these assets has not been completed. When the Group classified investment properties, property, plant and equipment and land use rights into non-current assets held for sale, no impairment loss was recognized.

## 15. SUBSIDIARIES

### Subsidiaries Included in Consolidated Financial Statements

| | | | % of Ownership | | | |
|---|---|---|---|---|---|---|
| Investor | Investee | Main Business | June 30, 2018 | December 31, 2017 | June 30, 2017 | Remark |
| The Parent Company | Silitech (BVI) Holding Ltd. | Investment activities | 100.00 | 100.00 | 100.00 | - |
| Silitech (BVI) Holding Ltd. | Silitech (Bermuda) Holding Ltd. | Investment activities | 100.00 | 100.00 | 100.00 | - |
| Silitech (Bermuda) Holding Ltd. | Silitech Technology Corporation Limited | Manufacture of plastic and computer peripheral products | 100.00 | 100.00 | 100.00 | - |
| | Silitech Technology Corp. Sdn. Bhd. | Manufacture of plastic and computer peripheral products | 100.00 | 100.00 | 100.00 | - |

(Continued)

| Investor | Investee | Main Business | % of Ownership June 30, 2018 | December 31, 2017 | June 30, 2017 | Remark |
|---|---|---|---|---|---|---|
| | Silitech (Hong Kong) Holding Ltd. | Investment activities | 100.00 | 100.00 | 100.00 | - |
| | Silitech International (India) Private Limited | Development, manufacture and sale of automotive parts | 100.00 | 100.00 | 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 | 100.00 | - |
| Silitech Technology Corporation Limited | Xurong Electronic (Shenzhen) Co., Ltd. | Manufacture and sale of touch panels and plastic and rubber assembly | 100.00 | 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 | 60.00 | b. |

(Concluded)

Remark:

a. This is an immaterial subsidiary for which the financial statements are not reviewed by the independent auditors.

b. Dissolved in May 2018.

## 16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Lite-On Japan Ltd. | $ 73,061 | $ 70,592 | $ 70,275 |

| Name of Company | Proportion of Ownership and Voting Rights June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Lite-On Japan Ltd. | 7.87% | 7.87% | 7.87% |

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

Refer to Table 6 "Information on Investees" for the nature of activities, principal places of business and countries of incorporation of the associates.

Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements of Lite-On Japan Ltd. which has not been reviewed.

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

| Name of Associate | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Lite-On Japan Ltd. | $ 69,358 | $ 77,674 | $ 74,577 |

## 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 | - | 6,463 | 10,374 | 1,816 | - | 28,082 | 2,332 | 2,462 | 51,529 |
| Disposals | - | (9,002) | (7,412) | (4,047) | (345) | - | (3,318) | (5,080) | (29,204) |
| Effects of foreign currency exchange differences | (497) | (27,484) | (43,689) | (3,037) | (338) | (15,576) | (2,581) | (4,927) | (98,129) |
| Balance at June 30, 2017 | $ 42,637 | $ 977,079 | $ 1,457,986 | $ 167,306 | $ 14,311 | $ 441,828 | $ 128,431 | $ 139,048 | $ 3,368,626 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2017 | $ - | $ 482,714 | $ 982,897 | $ 133,389 | $ 12,727 | $ 294,652 | $ 115,835 | $ 88,492 | $ 2,110,706 |
| Additions | - | 19,380 | 28,827 | 3,567 | 459 | 5,415 | 2,087 | 819 | 60,554 |
| Disposals | - | (3,916) | (4,081) | (3,112) | (246) | - | (2,954) | (3,965) | (18,274) |
| Effects of foreign currency exchange differences | - | (11,234) | (27,988) | (1,975) | (254) | (10,724) | (2,191) | (2,918) | (57,284) |
| Balance at June 30, 2017 | $ - | $ 486,944 | $ 979,655 | $ 131,869 | $ 12,686 | $ 289,343 | $ 112,777 | $ 82,428 | $ 2,095,702 |
| Accumulated impairment | | | | | | | | | |
| Balance at January 1, 2017 | $ - | $ 1,155 | $ 259,955 | $ 16,846 | $ 453 | $ 38,786 | $ 5,369 | $ 56,824 | $ 379,388 |
| Additions | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | (3,330) | (935) | (99) | - | (328) | (1,115) | (5,807) |
| Effects of foreign currency exchange differences | - | - | (7,314) | (351) | (17) | (1,413) | (169) | (2,006) | (11,270) |
| Balance at June 30, 2017 | $ - | $ 1,155 | $ 249,311 | $ 15,560 | $ 337 | $ 37,373 | $ 4,872 | $ 53,703 | $ 362,311 |
| Net balance at June 30, 2017 | $ 42,637 | $ 488,980 | $ 229,020 | $ 19,877 | $ 1,288 | $ 115,112 | $ 10,782 | $ 2,917 | $ 910,613 |
| 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 | - | - | 14,678 | 4,078 | - | 10,758 | 6,296 | 733 | 36,543 |
| Disposals | - | - | (1,088) | (318) | - | (3,710) | (1,640) | - | (6,756) |
| Effects of foreign currency exchange differences | 1,039 | 4,482 | 15,414 | 1,266 | 190 | 4,863 | 1,233 | 97 | 28,584 |
| Balance at June 30, 2018 | $ 44,821 | $ 319,077 | $ 1,239,175 | $ 169,332 | $ 14,134 | $ 477,287 | $ 116,389 | $ 18,048 | $ 2,398,263 |
| Accumulated depreciation | | | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 212,642 | $ 848,239 | $ 129,241 | $ 12,987 | $ 300,753 | $ 93,874 | $ 12,277 | $ 1,610,013 |
| Additions | - | 4,142 | 23,348 | 2,637 | 348 | 7,409 | 3,122 | 856 | 41,862 |
| Disposals | - | - | (993) | (318) | - | (3,339) | (1,616) | - | (6,266) |
| Effects of foreign currency exchange differences | - | 2,472 | 11,548 | 931 | 179 | 3,145 | 941 | 56 | 19,272 |
| Balance at June 30, 2018 | $ - | $ 219,256 | $ 882,142 | $ 132,491 | $ 13,514 | $ 307,968 | $ 96,321 | $ 13,189 | $ 1,664,881 |
| Accumulated impairment | | | | | | | | | |
| Balance at January 1, 2018 | $ - | $ 1,155 | $ 120,316 | $ 15,128 | $ - | $ 38,067 | $ 1,285 | $ 1,841 | $ 177,792 |
| Additions | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | (4) | - | - | (12) | - | (16) |
| Effects of foreign currency exchange differences | - | - | 715 | 93 | - | 400 | 6 | - | 1,214 |
| Balance at June 30, 2018 | $ - | $ 1,155 | $ 121,031 | $ 15,217 | $ - | $ 38,467 | $ 1,279 | $ 1,841 | $ 178,990 |
| Net balance at January 1, 2018, | $ 43,782 | $ 100,798 | $ 241,616 | $ 19,937 | $ 957 | $ 126,556 | $ 15,341 | $ 3,100 | $ 552,087 |
| Net balance at June 30, 2018 | $ 44,821 | $ 98,666 | $ 236,002 | $ 21,624 | $ 620 | $ 130,852 | $ 18,789 | $ 3,018 | $ 554,392 |

As a result of the life cycle of some products, the estimated future cash flows from the related equipment were decreased. The Group carried out a review of the recoverable amount of the related equipment and determined that the carrying amount had exceeded the recoverable amount. As of June 30, 2018, December 31, 2017 and June 30, 2017, the impairment losses recognized were $178,990 thousand, $177,792 thousand and $362,311 thousand, respectively. For the six months ended June 30, 2018 and 2017, the impairment losses due to the disposal of the equipment were reduced by $16 thousand and $5,807 thousand, respectively.

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 barriers constructions | 3-20 years |
| Machinery equipment | 1-10 years |
| Testing equipment | 1-10 years |
| Transportation equipment | 1-5 years |
| Equipment held under finance leases | 2-10 years |
| Office equipment | 1-10 years |
| Other equipment | 1-10 years |

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

## 18. INVESTMENT PROPERTIES, NET

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Completed investment properties | $ - | $ - | $ 399,581 |

For the six months ended June 30, 2018 and 2017, there were no significant increases, disposals, or impairment of the investment properties held by the Group, but depreciation expenses were recognized for these properties.

The fair value of the investment property that is located in Suzhou was valued by Wuxi Zhong Zheng Yue Tong Assets Appraisal Co., which used Level 3 inputs to measure the fair value. The evaluation was determined by reference to the appraiser's market evidence of transaction prices of real estate, and the fair value of the investment property was valued at $569,278 thousand using unobservable inputs.

All of the Group's investment properties were held under freehold interests. The investment property located in Suzhou and held by the Group as of June 30, 2017 was reclassified to non-current assets held for sale for the three months ended December 31, 2017.

## 19. OTHER ASSETS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Current | | | |
| Prepayments for tax | $ 19,940 | $ 19,544 | $ 19,898 |
| Input tax | 33,166 | 30,800 | 21,737 |
| Others | 50,959 | 54,685 | 39,376 |
| | $ 104,065 | $ 105,029 | $ 81,011 |
| Non-current | | | |
| Prepayments for equipment | $ 29,317 | $ 15,517 | $ 19,290 |
| Land use rights | - | - | 29,585 |
| | $ 29,317 | $ 15,517 | $ 48,875 |

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

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Payroll | $ 91,245 | $ 145,219 | $ 111,459 |
| Tooling | 32,519 | 49,046 | 51,598 |
| Equipment | 25,687 | 30,917 | 35,078 |
| Employee leave | 17,432 | 15,044 | 14,622 |
| Utilities | 10,027 | 9,775 | 10,434 |
| Services | 6,184 | 12,627 | 6,547 |
| Others | 128,875 | 136,190 | 110,467 |
| | $ 311,969 | $ 398,818 | $ 340,205 |

## 21. PROVISIONS

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Current | | | |
| Sales returns and discounts | $ 2,363 | $ 2,637 | $ 210 |

## 22. RETIREMENT BENEFIT PLANS

Employee benefits expense in respect of the Group's defined retirement benefit plans were $1,284 thousand, $1,189 thousand, $2,561 thousand and $2,381 thousand for the three and six months ended June 30, 2018 and 2017, respectively, and were calculated using the respective year's actuarially determined pension cost discount rate as of December 31, 2017 and 2016.

## 23. EQUITY

a. Share capital

Ordinary shares

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Number of shares authorized (in thousands) | 300,000 | 300,000 | 300,000 |
| Amount of shares authorized | $ 3,000,000 | $ 3,000,000 | $ 3,000,000 |
| Number of shares issued and fully paid (in thousands) | 189,384 | 189,384 | 189,384 |
| Amount of shares issued | $ 1,893,838 | $ 1,893,838 | $ 1,893,838 |

b. Capital surplus

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital | | | |
| Issuance of ordinary shares | $ 535,425 | $ 535,425 | $ 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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on June 21, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on the distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, if 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 (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 Parent Company; then set aside special reserve 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), 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 the policies on the distribution of employees' compensation and remuneration to directors before and after the amendment, refer to Note 27 (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 legal reserve shall be made until the legal reserve equals the Parent Company's paid-in capital. Legal reserve may be used to offset deficit. 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 which have been 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 |

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 period | - |
| Number of shares at June 30, 2017 | 10,000 |
| Number of shares at January 1, 2018 | 10,000 |
| Increase during the period | - |
| Number of shares at June 30, 2018 | 10,000 |

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 Parent Company had repurchased common shares form the open market for transferring to employees, which had not been transferred before the expiry date. The Parent Company's board of directors approved the retirement of 10,000 thousands treasury shares in July 26, 2018. The record date for capital reduction was July 27, 2018.

## 24. NON-OPERATING INCOME AND EXPENSES

a. Other income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Interest income | | | | |
| From bank deposit | $ 10,031 | $ 15,041 | $ 14,442 | $ 31,988 |
| From financial assets at amortized cost | 5,675 | - | 17,094 | - |
| Rental income | 360 | 401 | 722 | 1,045 |
| Others | 4,350 | 4,354 | 10,761 | 12,796 |
| | $ 20,416 | $ 19,796 | $ 43,019 | $ 45,829 |

b. Other gains and losses

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Disposal of property, plant and equipment | $ (84) | $ 1,131 | $ (339) | $ 2,310 |
| Foreign currency exchange | 11,669 | (3,431) | 1,894 | (71,984) |
| Net gain (loss) on financial assets | | | | |
| Financial assets held for trading | (1,739) | 436 | (273) | 1,426 |
| Financial assets mandatorily classified as at FVTPL | 48 | - | 160 | - |
| Others | 3 | 156 | (2) | 16,358 |
| | $ 9,897 | $ (1,708) | $ 1,440 | $ (51,890) |

## 25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (profit) are as follows:

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Current tax | | | | |
| In respect of the current period | $ 7,062 | $ 10,243 | $ 10,681 | $ 17,133 |
| Deferred tax | | | | |
| In respect of the current period | 165 | (14,672) | (3,982) | (27,106) |
| Effect on tax rate change | - | - | (753) | - |
| Income tax expense(profit) recognized in profit or loss | $ 7,227 | $ (4,429) | $ 5,946 | $ (9,973) |

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. The effect of the change in tax rate on deferred tax benefits to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

The subsidiary, Xurong Electronic (Shenzhen) Co., 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. Income tax recognized in other comprehensive income

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Deferred tax | | | | |
| Effect on tax rate change | $ - | $ - | $ (5,875) | $ - |
| In respect of the current period: | | | | |
| Translation of foreign operations | 999 | 10,490 | 9,461 | 20,232 |
| Total income tax recognized in other comprehensive income | $ 999 | $ 10,490 | $ 3,586 | $ 20,232 |

c. Income tax assessments

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

## 26. LOSS PER SHARE

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Basic loss per share | $ (0.38) | $ (0.15) | $ (0.47) | $ (0.51) |
| Diluted loss per share | $ (0.38) | $ (0.15) | $ (0.47) | $ (0.51) |

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

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Net loss for the period | | | | |
| Loss for the period attributable to owners of the Parent Company | $ (67,858) | $ (26,584) | $ (84,003) | $ (90,980) |
| Shares | | | | |
| Weighted average number of ordinary shares used in the computation of basic loss per share | 179,384 | 179,384 | 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 | 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.

## 27. ADDITIONAL INFORMATION ON EXPENSES

a. Depreciation and amortization

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Property, plant and equipment | $ 21,041 | $ 29,996 | $ 41,862 | $ 60,554 |
| Investment properties | - | 7,164 | - | 14,515 |
| Intangible assets | 630 | 1,489 | 1,110 | 2,222 |
| | $ 21,671 | $ 38,649 | $ 42,972 | $ 77,291 |
| An analysis of depreciation by function | | | | |
| Recognized in operating costs | $ 16,305 | $ 32,377 | $ 32,489 | $ 65,131 |
| Recognized in operating expenses | 4,736 | 4,783 | 9,373 | 9,938 |
| | $ 21,041 | $ 37,160 | $ 41,862 | $ 75,069 |
| An analysis of amortization by function | | | | |
| Recognized in operating costs | $ - | $ 183 | $ - | $ 370 |
| Recognized in operating expenses | 630 | 1,306 | 1,110 | 1,852 |
| | $ 630 | $ 1,489 | $ 1,110 | $ 2,222 |

b. Employee benefits expense

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2018** | **2017** | **2018** | **2017** |
| Post-employment benefits | | | | |
| Defined contribution plans | $ 5,443 | $ 6,306 | $ 11,891 | $ 12,361 |
| Defined benefit plans (Note 22) | 1,284 | 1,189 | 2,561 | 2,381 |
| | 6,727 | 7,495 | 14,452 | 14,742 |
| Other employee benefits | 205,343 | 197,014 | 422,094 | 386,620 |
| | $ 212,070 | $ 204,509 | $ 436,546 | $ 401,362 |

(Continued)

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Employee benefits expense summarized by function | | | | |
| Recognized in operating costs | $ 146,348 | $ 137,955 | $ 297,239 | $ 272,486 |
| Recognized in operating expenses | 65,722 | 66,554 | 139,307 | 128,876 |
| | $ 212,070 | $ 204,509 | $ 436,546 | $ 401,362 |

(Concluded)

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 six months ended June 30, 2018 and 2017, no employee's 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.

As the Parent Company reported net losses for the years ended December 31, 2017 and 2016,, no employee's compensation and remuneration to directors and supervisors were estimated.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Parent Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 28. 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

June 30, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTPL | | | | |
| Derivative instruments | $ - | $ 75 | $ - | $ 75 |
| Mutual funds | - | 27,952 | - | 27,952 |
| | $ - | $ 28,027 | $ - | $ 28,027 |

(Continued)

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets at FVTOCI | | | | |
| Investments in equity instruments - domestic unlisted equity | $ - | $ - | $ 11,165 | $ 11,165 |
| Financial liabilities at FVTPL | | | | |
| Derivative instruments | $ - | $ 1,301 | $ - | $ 1,301 |

(Concluded)

December 31, 2017

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

June 30, 2017

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities at FVTPL | | | | |
| Derivative instruments | $ - | $ 509 | $ - | $ 509 |

There were no transfers between Levels 1 and 2 as of the six months ended June 30, 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 observable similar market average price or the price of the same kind of 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 followed. 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

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Financial assets | | | |
| FVTPL | | | |
| Held for trading (1) | $ 75 | $ 757 | $ - |
| Mandatorily at FVTPL | 27,952 | - | - |
| Loans and receivables (2) | - | 3,013,439 | 2,843,430 |
| Available-for-sale financial assets (3) | - | 38,519 | 39,058 |
| Financial assets at amortized cost (4) | 2,668,192 | - | - |
| Financial assets at FVTOCI | 11,165 | - | - |
| Financial liabilities | | | |
| FVTPL | | | |
| Held for trading | 1,301 | - | 509 |
| Amortized cost (5) | 554,750 | 731,122 | 552,029 |

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 financial 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 fluctuations.

The Corporate financial 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 32.

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

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| <u>Assets</u> | | | |
| USD | $ - | $ 750 | $ - |
| EUR | 75 | 7 | - |
| <u>Liability</u> | | | |
| USD | 1,301 | - | (130) |
| EUR | - | - | (379) |

<u>Sensitivity analysis</u>

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 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 NTD depreciating 5% against the USD and the RMB. For a 5% appreciation of 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 Six Months Ended June 30 | | For the Six Months Ended June 30 | |
| | 2018 | 2017 | 2018 | 2017 |
| Profit or loss | $ 17,425 | $ 23,771 | $ 14,389 | $ 16,167 |

i. This was mainly attributable to the exposure on outstanding receivables, financial assets at FVTPL and payables in USD which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding receivables and payables in RMB which were not hedged 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 value of financial instrument 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:

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Fair value interest rate risk | | | |
| Financial assets | $ 1,811,412 | $ 1,607,940 | $ 1,753,532 |
| Cash flow interest rate risk | | | |
| Financial assets | 368,224 | 840,180 | 541,043 |

Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to cash flow interest rate risk from the financial assets 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 pre-tax profit for the six months ended June 30, 2018 and 2017 would increase by $184 thousand and $271 thousand, respectively.

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 68%, 79% and 84% of total trade receivables as of June 30, 2018, December 31, 2017 and June 30, 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 maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

June 30, 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 | $ 662,619 | $ - | $ - | $ - | $ 662,619 |
| Variable interest rate liabilities | - | - | - | - | - |
| | $ 662,619 | $ - | $ - | $ - | $ 662,619 |

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 | $ - | $ - | $ - | $ 890,573 |
| Variable interest rate liabilities | - | - | - | - | - |
| | $ 890,573 | $ - | $ - | $ - | $ 890,573 |

June 30, 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 | $ 675,960 | $ - | $ - | $ - | $ 675,960 |
| Variable interest rate liabilities | - | - | - | - | - |
| | $ 675,960 | $ - | $ - | $ - | $ 675,960 |

## 29. TRANSACTIONS WITH RELATED PARTIES

The Parent Company's parent is Lite-On Technology Corporation, and their ordinary shareholdings of the Parent Company as of June 30, 2018, December 31, 2017 and June 30, 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

| | | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|---|
| **Item** | **Related party category** | **2018** | **2017** | **2018** | **2017** |
| Sales of goods | Associates | $ 1,501 | $ 12,034 | $ 4,286 | $ 29,389 |
| | The Parent Company's parent | 410 | - | 1,024 | - |
| | Other related parties | - | - | - | 369 |
| | | $ 1,911 | $ 12,034 | $ 5,310 | $ 29,758 |

The market prices and contract terms between the Group and its related parties were based on transactions made under normal terms.

c. Purchases

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| **Related Party Category** | **2018** | **2017** | **2018** | **2017** |
| Other related parties | $ 804 | $ 54 | $ 1,438 | $ 54 |

d. Other revenue and operating expenses

| Item | Related party category | For the Three Months Ended June 30 2018 | For the Three Months Ended June 30 2017 | For the Six Months Ended June 30 2018 | For the Six Months Ended June 30 2017 |
|---|---|---|---|---|---|
| Operating expenses | The Parent Company's parent | $ 1,083 | $ 1,433 | $ 2,140 | $ 2,688 |
| | Other related parties | 1,151 | 238 | 1,613 | 1,103 |
| | Related party in substance | 368 | 371 | 629 | 903 |
| | Subsidiaries of Lite-On Technology Corporation | 223 | 252 | 440 | 516 |
| | | $ 2,825 | $ 2,294 | $ 4,822 | $ 5,210 |
| Other revenue | Other related party | $ 417 | $ 228 | $ 791 | $ 457 |
| | The Parent Company's parent | 409 | - | 409 | - |
| | | $ 826 | $ 228 | $ 1,200 | $ 457 |

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 | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|---|
| Trade receivables | Associates | $ 2,591 | $ 9,116 | $ 18,509 |
| | The Parent Company's parent | 1,075 | - | - |
| | Other related party | - | - | 27 |
| Other receivables | Subsidiaries of Lite-On Technology Corporation | | | |
| | Lite - On Mobile India Private Limited | 14,130 | 13,826 | 14,100 |
| | Subsidiaries of Lite-On Technology Corporation | 816 | - | - |
| | Other related parties | 615 | 261 | - |
| | Associates | 36 | 1 | 13 |
| | The Parent Company's parent | 349 | 309 | 202 |
| | | $ 19,612 | $ 23,513 | $ 32,851 |

The outstanding trade receivables from related parties are unsecured.

f. Payables to related parties

| Item | Related party category | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|---|
| Trade payables | Other related party | $ 1,335 | $ 909 | $ 57 |
| Other payables | Other related party | 4,830 | 9,333 | 9,387 |
| | The Parent Company's parent | 1,427 | 1,633 | 1,973 |
| | Related party in substance | 85 | 78 | 82 |
| | Subsidiaries of Lite-On Technology Corporation | 77 | 76 | 89 |
| | | $ 7,754 | $ 12,029 | $ 11,588 |

The outstanding trade payables from related parties are unsecured.

g. Compensation of key management personnel

| | For the Three Months Ended June 30 | | For the Six Months Ended June 30 | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Short-term employee benefits | $ 1,241 | $ 1,201 | $ 2,448 | $ 2,407 |
| Termination benefits | 50 | 42 | 100 | 84 |
| | $ 1,291 | $ 1,243 | $ 2,548 | $ 2,491 |

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

## 30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

| | June 30, 2018 | December 31, 2017 | June 30, 2017 |
|---|---|---|---|
| Pledged time deposits (classified as debt instruments with no active market) | $ - | $ 15,941 | $ 8,468 |
| Pledged time deposits (classified as financial assets at amortized cost) | 16,162 | - | - |
| | $ 16,162 | $ 15,941 | $ 8,468 |

## 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. The Parent Company and Lite-On Technology Corporation signed a mutual contract regarding stock affairs and managerial 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 length of the lease expires on August 31, 2020, and the rent is paid monthly. Estimated future rental expenses are as follows:

| Year | Amount |
|---|---|
| 2018 | RMB 6,802 |
| 2019 | RMB 14,065 |
| 2020 | RMB 9,377 |

## 32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The group entities' 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 were as follows:

June 30, 2018

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 5,661 | 30.5000 (USD:NTD) | $ 172,673 |
| USD | 18,040 | 6.6015 (USD:RMB) | 550,214 |
| USD | 3,833 | 4.0250 (USD:MYR) | 116,894 |
| EUR | 471 | 35.2794 (EUR:NTD) | 16,638 |
| EUR | 643 | 4.6557 (EUR:MYR) | 22,672 |
| JPY | 8,374 | 0.2753 (JPY:NTD) | 2,305 |
| JPY | 14,211 | 0.0596 (JPY:RMB) | 3,912 |
| RMB | 33,621 | 4.6202 (RMB:NTD) | 155,338 |
| RMB | 28,344 | 0.1515 (RMB:USD) | 130,956 |
| RMB | 321 | 0.6097 (RMB:MYR) | 1,482 |
| HKD | 350 | 0.8413 (HKD:RMB) | 1,360 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| JPY | 265,386 | 0.2753 (JPY:NTD) | 73,061 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 6,271 | 30.5000 (USD:NTD) | 191,272 |
| USD | 6,551 | 6.6015 (USD:RMB) | 199,793 |
| USD | 1,086 | 4.0250 (USD:MYR) | 33,111 |
| JPY | 4,871 | 0.2753 (JPY:NTD) | 1,341 |
| JPY | 4,871 | 0.0596 (JPY:RMB) | 1,341 |

December 31, 2017

| | Foreign Currencies (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 |

(Continued)

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| 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 |

(Concluded)

June 30, 2017

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD | $ 9,531 | 30.4360 (USD:NTD) | $ 290,088 |
| USD | 17,648 | 6.7783 (USD:RMB) | 537,129 |
| USD | 4,130 | 4.2850 (USD:MYR) | 125,707 |
| EUR | 45 | 34.7336 (EUR:NTD) | 1,559 |
| EUR | 111 | 1.1412 (EUR:USD) | 3,856 |
| EUR | 766 | 4.8900 (EUR:MYR) | 26,593 |
| JPY | 15,867 | 0.2717 (JPY:NTD) | 4,311 |
| JPY | 15,106 | 0.0605 (JPY:RMB) | 4,104 |
| RMB | 44,272 | 4.4902 (RMB:NTD) | 198,789 |
| RMB | 27,619 | 0.1475 (RMB:USD) | 124,017 |
| HKD | 462 | 0.8686 (HKD:RMB) | 1,805 |
| Non-monetary items | | | |
| Investments accounted for using the equity method | | | |
| JPY | 258,649 | 0.2717 (JPY:NTD) | 70,275 |

(Continued)

| | Foreign Currency (In Thousands) | Exchange Rate | Carrying Amount |
|---|---|---|---|
| Financial liabilities | | | |
| Monetary items | | | |
| USD | $ 6,536 | 30.4360 (USD:NTD) | $ 198,928 |
| USD | 6,963 | 6.7783 (USD:RMB) | 211,919 |
| USD | 890 | 4.2850 (USD:MYR) | 27,099 |
| EUR | 66 | 4.8900 (EUR:MYR) | 2,279 |
| JPY | 6,201 | 0.2717 (JPY:NTD) | 1,685 |
| JPY | 6,201 | 0.0605 (JPY:RMB) | 1,685 |

(Concluded)

The Group is mainly exposed to USD, EUR, RMB and JPY. The following information was aggregated by the functional currencies of the group entities, 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 Three Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| NTD | 1 (NTD:NTD) | $ (2,165) | 1 (NTD:NTD) | $ 3,767 |
| USD | 29.5187 (USD:NTD) | (6,632) | 30.7599 (USD:NTD) | 2,181 |
| RMB | 4.6374 (RMB:NTD) | 17,068 | 4.4786 (RMB:NTD) | (6,021) |
| MYR | 7.5125 (MYR:NTD) | 3,398 | 7.0133 (MYR:NTD) | (3,358) |
| | | $ 11,669 | | $ (3,431) |

| | For the Six Months Ended June 30 | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Foreign Currency | Exchange Rate | Net Foreign Exchange Gains (Losses) | Exchange Rate | Net Foreign Exchange Gains (Losses) |
| NTD | 1 (NTD:NTD) | $ 514 | 1 (NTD:NTD) | $ (60,587) |
| USD | 29.5187 (USD:NTD) | (1,464) | 30.7599 (USD:NTD) | 2,891 |
| RMB | 4.6374 (RMB:NTD) | 3,775 | 4.4786 (RMB:NTD) | (9,479) |
| MYR | 7.5125 (MYR:NTD) | (931) | 7.0133 (MYR:NTD) | (4,809) |
| | | $ 1,894 | | $ (71,984) |

## 33. 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: 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 3 below.

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

9) Trading in derivative instruments: See Notes 7.

10) Intercompany relationships and significant intercompany transactions: See Table 5 below.

11) Information on investees: See Table 6 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 7 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 8 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 purpose.

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.

## 34. 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(plastic) products, and is considered as 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 six months ended June 30, 2018 and 2017 can be referred to in the consolidated statements of comprehensive income and the segment assets and liabilities as of June 30, 2018 and 2017 can be referred to in the consolidated balance sheets.

**TABLE 1**

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**MARKETABLE SECURITIES HELD**
**JUNE 30, 2018**
**(Amounts 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 | June 30, 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 | $ 11,165 | 10.00 | $ 11,165 | |
| | 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.

## 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 SIX MONTHS ENDED JUNE 30, 2018**
**(Amounts in Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name | Type and Name of Marketable Securities | Financial Statement Account | Counterparty | Nature of Relationship | 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) | - | $ 1,549,106 (RMB 335,250) | - | $ 1,557,294 (RMB 338,765) | $ 1,540,357 (RMB 335,100) | $ 16,937 (RMB 3,665) | - | $ 775,593 (RMB 167,850) |

Note: The amount stated was the original investment cost.

**TABLE 3**

## 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 SIX MONTHS ENDED JUNE 30, 2018**
**(Amounts 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 | $ 295,918 | 86.00 | 90 days | No significant difference | 90-120 days | $ (191,284) | 84.00 | Note |
| Silitech Technology Corporation Limited | Silitech Technology Corporation | Parent | Sale | US$ 9,963<br>JPY 6,529 | 96.00 | 90 days | No significant difference | 60-90 days | US$ 6,228<br>JPY 4,871 | 99.00 | Note |
| | Xurong Electronic (Shenzhen) Co., Ltd. | Affiliate | Purchase | US$ 10,426<br>JPY 6,529 | 100.00 | 90 days | No significant difference | 90-120 days | US$ (6,535)<br>JPY (4,871) | 100.00 | Note |
| Xurong Electronic (Shenzhen) Co., Ltd. | Silitech Technology Corporation Limited | Affiliate | Sale | US$ 10,426<br>JPY 6,529 | 64.00 | 90 days | No significant difference | 60-90 days | US$ 6,535<br>JPY 4,871 | 72.00 | Note |

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

TABLE 4

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL**
**JUNE 30, 2018**
**(Amounts 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$ 6,228<br>JPY 4,871 | 3.38 | $ - | - | US$ 1,503<br>JPY 1,834 | $ - | Note |
| Xurong Electronic (Shenzhen) Co., Ltd. | Silitech Technology Corporation Limited | Affiliate | US$ 6,535<br>JPY 4,871 | 3.24 | - | - | US$ 1,503<br>JPY 1,834 | - | Note |

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

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**
**FOR THE SIX MONTHS ENDED JUNE 30, 2018**
**(Amounts in Thousands of New Taiwan Dollars)**

| No. (Note 1) | Company Name | Counterparty | Nature of Relationship (Note 2) | Intercompany Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Item | Amount | Terms | % of Consolidated Net Revenue or Total Assets (Note 3) |
| 0 | Silitech Technology Corporation | Silitech Technology Corporation Ltd. | a. | Purchases | $ 295,918 | No significant difference | 30 |
| | | Silitech Technology Corporation Ltd. | a. | Trade payable | 191,284 | No significant difference | 4 |
| 1 | Xurong Electronic (Shenzhen) Co., Ltd | Silitech Technology Corporation Ltd. | c. | Trade receivable | 200,691 | No significant difference | 4 |
| | | Silitech Technology Corporation Ltd. | c. | Sales | 309,791 | No significant difference | 31 |

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 June 30, 2018. For profit or loss items, cumulative amounts are shown as percentages to consolidated total operating revenue for the six months ended June 30, 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**
**FOR THE SIX MONTHS ENDED JUNE 30, 2018**
**(Amounts in Thousands of New Taiwan Dollars Unless Stated Otherwise)**

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of June 30, 2018 | | | Net Income (Losses) of the Investee | Share of Profits/Losses of Investee | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | June 30, 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 | $ 3,342,908 | US$ (1,559) | $ (46,146) | Subsidiary |
| | Lite-On Japan Ltd. | Japan | Sale of LED optical products and power supplies | JPY 197,040 | JPY 197,040 | 980 | 7.87 | 73,061 | JPY 83,672 | 1,802 | 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$ 109,540 | US$ (1,556) | - | Second-tier subsidiary |
| 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$ 26,774 | RMB(18,226) | - | Third-tier subsidiary |
| | Silitech Technology Corporation Sdn. Bhd. | Malaysia | Manufacture of computer peripheral products | US$ 5,632 | US$ 5,632 | 21,400 | 100.00 | US$ 13,102 | RM 4,920 | - | Third-tier subsidiary |
| | Silitech (Hong Kong) Holding Ltd. | Hong Kong | Investment activities | US$ 77,200 | US$ 77,200 | 77,200 | 100.00 | US$ 56,269 | RMB (337) | - | Third-tier subsidiary |
| | Silitech International (India) Private Ltd. | India | Development, manufacture and sale of automotive parts | US$ 3,002 | US$ 3,002 | 4,173 | 100.00 | US$ 1,367 | INR - | - | Third-tier subsidiary |

Note 1: All amounts have been eliminated upon consolidation

Note 2: Refer to Table 7 for information on investments in mainland China.

TABLE 7

## SILITECH TECHNOLOGY CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA**
**FOR THE SIX MONTHS ENDED JUNE 30, 2018**
**(Amounts 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 Investment from Taiwan as of January 1, 2018 | Investment of Flows | | Accumulated Outflow of Investment from Taiwan as of June 30, 2018 | Net Income (Losses) of the Investee Company (Note 2) | Percentage of Ownership | Share of Profits/Losses (Note 2) | Carrying Amount as of June 30, 2018 | Accumulated Inward Remittance of Earnings as of June 30, 2018 | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | | | | |
| Xurong Electronic (Shenzhen) Co., Ltd. (Note 6) | Manufacture of automotive parts, touch panels and plastic and rubber assemblies | $ 85,400 (US$ 2,800) | Note 1 | $ 203,354 | $ - | $ - | $ 203,354 | $ (85,792) (RMB -18,500) | 100 | $ (85,792) (RMB -18,500) | $ 758,274 (RMB 164,102) | $ 3,961,476 (US$ 122,919) (RMB 71,822) | |
| Silitech Technology (Suzhou) Co., Ltd. (Note 6) | Manufacture and sale of automotive parts | 2,379,000 (US$ 78,000) | Note 1 | 2,379,000 (US$ 78,000) | - | - | 2,379,000 (US$ 78,000) | (2,866) (RMB -618) | 100 | (2,866) (RMB -618) | 1,614,458 (RMB 349,393) | 1,255,679 (US$ 8,796) (RMB 214,783) | |
| Suzhou Xulong Mold producing Co., Ltd. (Note 7) | Development, manufacture and sale of precision modules and new-type electronic components (chip components, testing elements, hybrid integrated circuits) | 137,250 (US$ 4,500) | Note 1 | - | - | - | - | - | 60 (Note 5) | - (RMB -) | - (RMB -) | - | |

| Accumulated Investments in Mainland China as of June 30, 2018 (Note 4) | Investment Amounts Authorized by the Investment Commission, MOEA (Note 4) | Upper Limit on Investment |
|---|---|---|
| $ 2,673,854 (US$ 81,000) ($ 203,354) | $ 2,823,457 (US$ 85,905) ($ 203,354) | $ 7,474,216 (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 not 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 net worth of $80 million, plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: $3,761,769 (net worth) × 60% ＋ $5,217,155 ＝ $7,474,216

Note 4: Investment amount approved by the Ministry of Economic Affairs, R.O.C. are as follows:

| Name of Investee | Word No. | Approved Amounts | |
|---|---|---|---|
| Xurong Electronic (Shenzhen) Co., Ltd. | 091030841 | NT$ | 203,354 |
| Silitech Electronic (Changshu) Co., 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) | 09700063560 | US$ | 1,200 |
| Suzhou Xulong Mold producing Co., Ltd. (liquidated in May 2018) | 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 (R.O.C).

Note 6: All intercompany investments have been eliminated upon consolidation

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 Word No. 10730038150.

TABLE 8

## 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 SIX MONTHS ENDED JUNE 30, 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 | $ 4,790 | 1 | No significant difference | 90 days | 60-90 days | $ 2,155 | 1 | $ 4 | Note |
| | Purchase | 295,918 | 86 | No significant difference | 90 days | 60-120 days | (191,284) | 84 | 130 | Note |

Note: All intercompany sales, purchases, accounts receivable and accounts payable have been eliminated upon consolidation.