TAIFLEX SCIENTIFIC COMPANY LIMITED

PARENT COMPANY ONLY FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

Address: No.1, Huanqu 3rd Rd., Kaohsiung Export Processing Zone, Kaohsiung City
Telephone: 886-7-813-9989

Notice to readers

This English-version parent company only financial statement is a summary translation of the Chinese version. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

Table of Contents

Item	Page
1. Cover	
2. Table of Contents	1
3. Parent Company Only Balance Sheets	2-3
4. Parent Company Only Statements of Comprehensive Income	4
5. Parent Company Only Statements of Changes in Equity	5
6. Parent Company Only Statements of Cash Flows	6-7
7. Notes to Parent Company Only Financial Statements	
(1) History and Organization	8
(2) Date and Procedures of Authorization of Financial Statements	8
(3) Newly Issued or Revised Standards and Interpretations	8-14
(4) Summary of Significant Accounting Policies	14-27
(5) Significant Accounting Judgments and Major Sources of Estimation Uncertainty	27-28
(6) Details of Significant Accounts	28-47
(7) Related Party Transactions	47-49
(8) Pledged Assets	49
(9) Significant Contingencies and Unrecognized Contract Commitments	49
(10) Significant Disaster Loss	49
(11) Significant Subsequent Events	49
(12) Others	50-56
(13) Additional Disclosures	
A. Information on Significant Transactions and Investees	56-61
B. Information on Investments in Mainland China	56,62
8. Statements of Significant Accounts	63-80

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

Assets	Notes	December 31, 2018	December 31, 2017
Current assets			
Cash and cash equivalents	4, 6(1)	$ 1,065,055	$ 1,230,607
Financial assets at fair value through profit or loss - current	4, 6(2)	20,820	16,721
Notes receivable, net	4, 6(3)	4,826	9,858
Accounts receivable, net	4, 6(4)	2,039,942	498,477
Accounts receivable – related parties	6(4), 7	1,348,288	1,543,450
Other receivables		43,229	39,256
Other receivables – related parties	7	1,229,366	1,057,967
Inventories, net	4, 6(5)	851,750	752,378
Prepayments		27,587	28,674
Other current assets	8	23,773	24,025
Total current assets		6,654,636	5,201,413
Non-current assets			
Financial assets at fair value through other comprehensive income - non-current	4, 6(6)	-	-
Financial assets carried at cost - non-current	4, 6(7)	-	-
Investments accounted for under the equity method	4, 6(8)	2,490,400	2,514,071
Property, plant and equipment	4, 6(9)	2,122,285	2,039,184
Intangible assets	4, 6(10)	39,142	45,372
Deferred income tax assets	4, 6(23)	100,000	99,874
Other non-current assets	4, 6(11)	6,806	10,755
Total non-current assets		4,758,633	4,709,256
Total assets		$ 11,413,269	$ 9,910,669

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY BALANCE SHEETS-(Continued)
December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

Liabilities and Equity	Notes	December 31, 2018	December 31, 2017
Current liabilities			
Short-term loans	6(12)	$ 1,165,000	$ -
Financial liabilities at fair value through profit or loss - current	4, 6(13)	2,453	4,036
Notes payable		65,419	-
Accounts payable		1,554,031	1,574,207
Accounts payable – related parties	7	26,934	64,273
Other payables		545,822	533,921
Other payables – related parties	7	31,761	11,880
Current income tax liabilities	4, 6(23)	193,339	94,979
Current portion of long-term loans		-	19,091
Other current liabilities		5,099	1,922
Total current liabilities		3,589,858	2,304,309
Non-current liabilities			
Long-term loans	6(14)	295,000	119,091
Deferred income tax liabilities	4, 6(23)	127,750	176,294
Net defined benefit liabilities - non-current	4, 6(15)	138,423	184,124
Total non-current liabilities		561,173	479,509
Total liabilities		4,151,031	2,783,818
Equity			
Capital	6(16)		
Common stock		2,091,197	2,087,802
Capital collected in advance		-	665
Capital surplus	6(16)	1,446,639	1,441,339
Retained earnings			
Legal capital reserve		815,590	742,131
Special capital reserve		75,546	102,158
Unappropriated earnings		2,999,383	2,845,730
Total retained earnings		3,890,519	3,690,019
Others	4	(166,117)	(92,974)
Treasury stocks	6(16)	-	-
Total equity		7,262,238	7,126,851
Total liabilities and equity		$ 11,413,269	$ 9,910,669

(Concluded)

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	Notes	2018	2017
Net revenue	4, 6(18), 7	$ 7,633,620	$ 7,383,077
Cost of revenue	4, 6(5), 6(21), 7	(5,921,108)	(5,884,638)
Gross profit		1,712,512	1,498,439
Unrealized sales profit or loss		(14,146)	-
Realized sales profit or loss		-	8,945
Gross profit, net		1,698,366	1,507,384
Operating expenses	4, 6(21)		
Sales and marketing expenses		(270,209)	(203,557)
General and administrative expenses		(280,017)	(290,052)
Research and development expenses		(244,580)	(241,537)
Reversal of expected credit loss	6(19)	107,895	-
Total operating expenses		(686,911)	(735,146)
Operating income		1,011,455	772,238
Non-operating income and expenses	6(22)		
Other income		70,856	39,164
Other gains and losses		41,892	(52,185)
Finance costs		(17,555)	(17,427)
Share of profit or loss of subsidiaries and associates under the equity method	4, 6(7)	(235,459)	161,428
Total non-operating income and expenses		(140,266)	130,980
Income before income tax		871,189	903,218
Income tax expense	4, 6(23)	(198,880)	(168,629)
Net income of continuing operations		672,309	734,589
Net income		672,309	734,589
Other comprehensive income (loss)	6(22)		
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit plan		55,488	24,130
Income tax related to components of other comprehensive income that will not be reclassified subsequently		(11,098)	(4,102)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(85,854)	(22,050)
Income tax related to components of other comprehensive income that may be reclassified subsequently to profit or loss	6(23)	19,311	3,749
Total other comprehensive income, net of tax		(22,153)	1,727
Total comprehensive income		$ 650,156	$ 736,316
Earnings per share (NT$)	4, 6(24)		
Earnings per share - basic		$ 3.22	$ 3.55
Earnings per share - diluted		$ 3.18	$ 3.53

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

				Retained Earnings			Others			
	Common Stock	Capital Collected in Advance	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain/Loss on Financial Assets at Fair Value through Other Comprehensive Income	Treasury Stocks	Total Equity
Balance as of January 1, 2017	$ 2,083,252	$ -	$1,407,558	$ 684,163	$ 102,158	$ 2,561,335	$ (74,673)	$ -	$ (98,744)	$ 6,665,049
Appropriation and distribution of 2016 earnings										
Legal capital reserve				57,968		(57,968)				-
Cash dividends for common stocks						(412,254)				(412,254)
Changes in other capital surplus										
Share-based payment	4,550	665	33,781						98,744	137,740
Net income for the year ended December 31, 2017						734,589				734,589
Other comprehensive income (loss) for the year ended December 31, 2017						20,028	(18,301)			1,727
Total comprehensive income	-	-	-	-	-	754,617	(18,301)	-	-	736,316
Balance as of December 31, 2017	$ 2,087,802	$ 665	$1,441,339	$ 742,131	$ 102,158	$ 2,845,730	$ (92,974)	$ -	$ -	$ 7,126,851
Balance as of January 1, 2018	$ 2,087,802	$ 665	$1,441,339	$ 742,131	$ 102,158	$ 2,845,730	$ (92,974)	$ -	$ -	$ 7,126,851
Effect of retrospective application						6,600		(6,600)		-
Adjusted balance as of January 1, 2018	2,087,802	665	1,441,339	742,131	102,158	2,852,330	(92,974)	(6,600)	-	7,126,851
Appropriation and distribution of 2017 earnings										
Legal capital reserve				73,459		(73,459)				-
Cash dividends for common stocks						(522,799)				(522,799)
Changes in other capital surplus										
Changes in associates accounted for under the equity method			(1,553)							(1,553)
Share-based payment	3,395	(665)	6,853							9,583
Reversal of special capital reserve					(26,612)	26,612				-
Net income for the year ended December 31, 2018						672,309				672,309
Other comprehensive income (loss) for the year ended December 31, 2018						44,390	(66,543)			(22,153)
Total comprehensive income	-	-	-	-	-	716,699	(66,543)	-	-	650,156
Balance as of December 31, 2018	$ 2,091,197	$ -	$1,446,639	$ 815,590	$ 75,546	$ 2,999,383	$ (159,517)	$ (6,600)	$ -	$ 7,262,238

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

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from operating activities:		
Income before income tax	$ 871,189	$ 903,218
Adjustments:		
Non-cash income and expense items:		
Depreciation	206,801	181,007
Amortization	16,403	14,548
Reversal of expected credit loss	(107,895)	(64,274)
Net loss of financial assets (liabilities) at fair value through profit or loss	12,328	11,963
Interest expense	17,555	17,427
Interest income	(29,449)	(24,690)
Compensation cost related to share-based payment	-	22,647
Share of profit or loss of subsidiaries and associates under the equity method	235,459	(161,428)
Gain on reversal of impairment loss for non-financial assets	(31,518)	-
Others	46,020	(5,828)
Changes in operating assets and liabilities:		
Increase in financial assets mandatorily at fair value through profit or loss	(18,010)	(1,846)
Decrease (increase) in notes receivable	5,032	(2,514)
Increase in accounts receivable	(1,433,570)	(26,708)
Decrease (increase) in accounts receivable – related parties	195,162	(431,582)
Increase in other receivables	(2,805)	(1,206)
Increase in other receivables – related parties	(171,399)	(480,706)
Increase in inventories	(145,392)	(225,561)
Decrease (increase) in prepayments	1,087	(1,138)
Decrease (increase) in other current assets	311	(190)
Increase in notes payable	65,419	-
(Decrease) increase in accounts payable	(20,176)	231,542
(Decrease) increase in accounts payable – related parties	(37,339)	48,946
Increase in other payables	27,054	44,123
Increase in other payables – related parties	19,881	6,200
Increase (decrease) in other current liabilities	18,507	(20,510)
Increase in net defined benefit liabilities	9,787	17,978
Cash generated from operations	(249,558)	51,418
Interest received	28,281	25,566
Dividend received	122,078	-
Interest paid	(17,078)	(17,559)
Income tax paid	(129,166)	(113,930)
Net cash used in operating activities	(245,443)	(54,505)

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

(Continued)

TAIFLEX SCIENTIFIC COMPANY LIMITED
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS-(Continued)
For the Years Ended December 31, 2018 and 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from investing activities:		
Acquisition of investments accounted for under the equity method	$ (534,553)	$ (286,140)
Return of capital from investee accounted for under the equity method	117,658	-
Acquisition of property, plant and equipment	(305,929)	(276,043)
Disposal of property, plant and equipment	-	27
Increase in refundable deposits	-	(327)
Decrease in refundable deposits	3,949	-
Acquisition of intangible assets	(9,777)	(22,203)
Increase in other current assets - other financial assets - current	(59)	(59)
Net cash used in investing activities	(728,711)	(584,745)
Cash flows from financing activities:		
Increase in short-term loans	1,165,000	-
Decrease in short-term loans	-	(4,287)
Increase in long-term loans	156,818	-
Repayment of long-term loans	-	(403,139)
Distribution of cash dividends	(522,799)	(412,254)
Exercise of employee stock options	9,583	18,653
Purchase of treasury stocks by employees	-	96,440
Net cash generated by (used in) financing activities	808,602	(704,587)
Net decrease in cash and cash equivalents	(165,552)	(1,343,837)
Cash and cash equivalents at beginning of period	1,230,607	2,574,444
Cash and cash equivalents at end of period	$ 1,065,055	$ 1,230,607

(Concluded)

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

1. History and Organization

Taiflex Scientific Company Limited ("the Company") was incorporated in August, 1997. Its main operations consist of manufacturing, research and development, and selling of flexible copper-clad laminate, cover layer and PV module backsheet. The shares of the Company commenced trading on Taiwan's Over-the-Counter Market on December 19, 2003 and were listed on the Taiwan Stock Exchange on December 17, 2009.

2. Date and Procedures of Authorization of Financial Statements

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 were approved and authorized for issue in the Board of Directors' meeting on February 20, 2019.

3. Newly Issued or Revised Standards and Interpretations

(1) The Company has adopted International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC interpretations and SIC interpretations endorsed by the Financial Supervisory Commission (FSC) to take effect for annual periods beginning on January 1, 2018. The first-time adoption does not have any material impact on the Company except for the following descriptions on the nature and the impact of the newly issued or revised standards and interpretations:

A. IFRS 15 "Revenue from Contracts with Customers" (including relevant clarifications associated with IFRS 15 "Revenue from Contracts with Customers")

IFRS 15 replaces IAS 11 "Construction Contracts", IAS 18 "Revenue" and relevant interpretations. The Company chooses to recognize the cumulative effect of the first-time adoption on the initial application date (i.e. January 1, 2018) in accordance with the transitional provisions of IFRS 15 and to retrospectively apply IFRS 15 to contracts that are not completed on that date.

The Company's revenue from contracts with customers mostly involves the sale of goods. The impact of IFRS 15 on the Company's recognition of revenue is as follows:

(a) Please refer to Note 4 for accounting policies adopted by the Company after and prior to January 1, 2018.

(b) Prior to January 1, 2018, the Company recognizes revenue from the sale of goods when the products are delivered to the customers. For reporting periods starting on or after January 1, 2018, revenue is recognized when the promised products are transferred to the customers and the performance obligation is satisfied under IFRS 15. The adoption of IFRS 15 does not have any material impact on the Company's recognition of revenue from the sale of goods.

(c) Please refer to Notes 4, 5 and 6 for additional disclosures required by IFRS 15.

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

B. IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39. In accordance with the transitional provisions of IFRS 9, the Company chooses not to restate the comparative periods upon the initial application date (i.e. January 1, 2018). The effects of adopting IFRS 9 are as follows:

(a) The Company adopts IFRS 9 starting from January 1, 2018 and prior to this date, IAS 39 is used. Please refer to Note 4 for details on accounting policies.

(b) In accordance with the transitional provisions of IFRS 9, the business model is assessed and the financial assets are classified into appropriate categories pursuant to IFRS 9 based on the facts and circumstances that exist as of January 1, 2018. The classifications and carrying amounts of those financial assets as of January 1, 2018 are as follows:

IAS 39		IFRS 9	
Measurement Category	Carrying Amount	Measurement Category	Carrying Amount
Fair value through profit or loss (including carried at cost)	$ 16,721	Fair value through profit or loss	$ 16,721
Measured at amortized cost			
Loans and receivables (including cash and cash equivalents, notes and accounts receivables, other financial assets and other receivables)	4,399,717	Measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, financial assets measured at amortized cost and other receivables)	4,399,717
Total	$ 4,416,438	Total	$ 4,416,438

(c) Detailed information concerning the changes in the classifications of financial assets and financial liabilities for the transition from IAS 39 to IFRS 9 as of January 1, 2018 is as follows:

IAS 39		IFRS 9			
Account	Carrying Amount	Account	Carrying Amount	Adjustment on Retained Earnings	Adjustment on Other Equity
Financial assets at fair value through profit or loss					
Designated as at fair value through profit or loss	$ 16,721	At fair value through profit or loss	$ 16,721		
Available-for-sale financial assets (including financial assets carried at cost) (Note)	0	At fair value through other comprehensive income – equity instruments	0	$ 6,600	($ 6,600)
Subtotal	$ 16,721				

(Continued)

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

IAS 39		IFRS 9		Adjustment on Retained Earnings	Adjustment on Other Equity
Account	Carrying Amount	Account	Carrying Amount		
Loans and receivables (Note)					
Cash and cash equivalents (excluding cash on hand)	$ 1,230,355	Cash and cash equivalents (excluding cash on hand)	$ 1,230,355		
Other financial assets	20,354	Other financial assets	20,354		
Notes receivable	9,858	Notes receivable	9,858		
Accounts receivable (including related parties)	2,041,927	Accounts receivable (including related parties)	2,041,927		
Other receivables (including related parties)	1,097,223	Other receivables (including related parties)	1,097,223		
Subtotal	$ 4,399,717				
Total	$ 4,416,438	Total	$ 4,416,438	$ 6,600	($ 6,600)

(Concluded)

Note: Investments classified as available-for-sale financial assets in accordance with IAS 39 include investments in funds, stocks and bonds of listed (OTC) companies and non-listed (OTC) stocks. Details concerning the changes in classification are as follows:

Investments in stocks (both listed (OTC) and non-listed (OTC) stocks)

The assessment is conducted based on the facts and circumstances that exist as of January 1, 2018. As these investments (equity instruments) are not held-for-trading, the Company chooses to designate them as financial assets at fair value through other comprehensive income. The amount reclassified from available-for-sale financial assets (including ones measured at cost) to financial assets at fair value through other comprehensive income was NT$0 thousand as of January 1, 2018. Other relevant adjustments are as follows:

Impairment loss is recognized fully for the non-listed (OTC) stocks with an initial carrying amount of NT$6,600 thousand that are measured at cost pursuant to IAS 39. However, under IFRS 9, those stocks shall be measured at fair value and the recognition of impairment loss is not required. As the fair value is deemed to be NT$0 thousand as of January 1, 2018, the Company would adjust the carrying amount of financial assets at fair value through other comprehensive income. Retained earnings and other equity (i.e. unrealized gain/loss on financial assets at fair value through other comprehensive income) would also be adjusted by NT$6,600 thousand each.

For items classified as loans and receivables in accordance with IAS 39, their cash flows are solely payments of principal and interest on the outstanding principal. Based on the facts and circumstances that exited as of January 1, 2018, as the business model is assessed to be one that collects contractual cash flows, they are measured at amortized cost. In addition, no adjustment arisen from the impairment assessment conducted in accordance with IFRS 9 on January 1, 2018. Thus, the carrying amount as of January 1, 2018 is not affected.

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

(d) Please refer to Notes 4, 5, 6 and 12 for disclosures required by IFRS 7 and IFRS 9.

C. Disclosure Initiative (Amendments to IAS 7 "Statement of Cash Flows")

A reconciliation between the opening and closing balances for liabilities arising from financing activities of the Company is provided. Please refer to Note 12 for disclosures required.

(2) The Company has not adopted the following new, revised and amended standards or interpretations issued by International Accounting Standards Board (IASB) and endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
IFRS 16	Leases	January 1, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures	January 1, 2019
IFRS 9	Prepayment Features with Negative Compensation	January 1, 2019
Improvements to IFRS (2015-2017 cycle)		January 1, 2019
IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019

A. IFRS 16 "Leases"

The new standard requires lessees to adopt a single accounting model for all leases except for short-term leases or leases of low value assets, i.e. to recognize right-of-use assets and lease liabilities on the balance sheets, and lease-related depreciation and interest expense on the statements of comprehensive income. Moreover, lessors continue to classify leases as operating or finance leases. However, more extensive disclosure is required.

B. IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation clarifies the application of recognition and measurement requirements under IAS 12 "Income Taxes" when there is uncertainty over income tax treatments.

C. Amendments to IAS 28 "Investments in Associates and Joint Ventures"

The amendments clarify that prior to the adoption of IAS 28, IFRS 9 shall be used to account for the long-term interests that form part of the net investment in the associates or joint ventures. Also, during the application of IFRS 9, adjustments arising from the adoption of IAS 28 shall not be considered.

D. Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendments allow financial assets with prepayment features (parties to the contract may pay or receive reasonable compensation for early termination of the contracts) to be measured at amortized cost or at fair value through other comprehensive income.

E. Improvements to IFRS (2015-2017 cycle)

IFRS 3 "Business Combinations"

The amendments clarify that when an entity having joint control over a joint operation obtains control of the joint operation, it shall remeasure previously held interests in that business.

IFRS 11 "Joint Arrangements"

The amendments clarify that when an entity that participates in (but has no joint control over) a joint operation obtains joint control over the joint operation, it shall not remeasure previously held interests in that business.

IAS 12 "Income Taxes"

The amendments clarify that entities shall recognize income tax consequences of dividends in profit or loss, other comprehensive income or equity, depending on how the originating transaction or event that has given rise to the dividends is recognized.

IAS 23 "Borrowing Costs"

The amendments clarify that when an asset is ready for its intended use or sale, the entity shall treat borrowings related specifically to the acquisition of such an asset as general borrowings.

F. Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when changes occurred to the defined benefit plan (e.g. amendment, curtailment or settlement), entities shall remeasure the net defined benefit liability or asset using the updated assumptions.

The abovementioned new, revised and amended standards or interpretations are issued by IASB and endorsed by FSC to take effect from January 1, 2019. Except for A with effects listed below, the adoption of these new, revised and amended standards and interpretations will not have a significant effect on the Company.

A. IFRS 16 "Leases"

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease". The effect of IFRS 16 on the Company is as follows:

(a) For definition of leases, the Company adopts the transitional provisions of IFRS 16 and elects not to reevaluate whether contracts are (or contain) leases on the initial application date (i.e. January 1, 2019). Contracts previously identified as leases under IAS 17 and IFRS 4 are now subject to IFRS 16. For contracts previously identified as not containing leases under IAS 17 and IFRS 4, IFRS 16 does not apply.

As a lessee, the Company elects not to restate the comparative information in accordance with the transitional provisions of IFRS 16 and recognizes cumulative effect of initial application as an adjustment to the opening balance of retained earnings (or other component of equity, if appropriate) on January 1, 2019.

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

Leases classified as operating leases

The Company plans to measure leases classified as operating leases under IAS 17 by the present value of remaining lease payments (discounted using the incremental borrowing rate of lessee as of January 1, 2019) and recognize lease liabilities on January 1, 2019. In addition, the right-of-use assets are measured and recognized on a lease-by-lease basis using one of the following amounts:

i. the carrying amount of the right-of-use assets as if IFRS 16 has applied since the beginning of leases. However, the amount shall be discounted by the incremental borrowing rate of lessee as of January 1, 2019, or

ii. the amount of lease liabilities, adjusted for all prepaid or accrued lease payments associated with the leases (recognized in the balance sheet immediately before January 1, 2019).

The Company's right-of-use assets and lease liabilities are expected to increase by NT$261,602 thousand and NT$261,602 thousand, respectively on January 1, 2019.

(b) The Company provides additional disclosures in accordance with the lessee and lessor provisions of IFRS 16.

(3) As of the date of issuance of the financial statements, the Company has not adopted the following new, revised and amended standards or interpretations issued by IASB and but not yet endorsed by FSC:

No.	Projects of New, Revised and Amended Standards or Interpretations	Effective Date
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
IFRS 3	Definition of a Business	January 1, 2020
IAS 1 and IAS 8	Definition of Material	January 1, 2020

The potential effects of adopting above standards or interpretations, which are issued by IASB but not yet endorsed by FSC, in the preparation of Company's financial statements for future periods are listed below:

A. Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The plan deals with the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" in relation to the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 states that when non-monetary assets are contributed in exchange for an interest in an associate or a joint venture, the share of gains or losses shall be eliminated in accordance with the treatments of a downstream transaction. However, IFRS 10 requires a full recognition of gains or losses arising from the loss of control of a subsidiary. The amendments place restrictions on the above-mentioned rules of IAS 28 so that gains or losses shall be recognized in full for sale or contribution of assets that constitute a business as defined in IFRS 3.

The amendments also change IFRS 10 so that gains or losses arising from the sale or contributions of a subsidiary, that does not constitute a business as defined in IFRS 3, between an investor and its associate or joint venture are recognized only to the extent of their shares owned by non-investors.

B. Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business under IFRS 3 “Business Combinations”, assisting enterprises in identifying whether a transaction shall be accounted for as a business combination or acquisition of assets. IFRS 3 continues to adopt market participants’ perspective in determining whether the activities or assets acquired are considered a business. Actions taken include clarifying the minimum requirements of a business, adding guidance to help enterprises assessing whether the acquisition process is substantive, and narrowing the definitions of a business and outputs.

C. Definition of Material (Amendments to IAS 1 and IAS 8)

Information is considered material if it can be reasonably expected that the omission, misstatement or obscurity of such information would have effect on decisions made by primary users of general-purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. Enterprises shall determine whether the information, either individually or combined with other information, is material in the financial statements. If information can be reasonably expected to have effect on primary users, the misstatement of such information is considered material.

The Company currently assesses the potential effects of the new, revised and amended standards or interpretations in the preceding paragraphs on the financial status and performance of the Company. The outcome will be disclosed upon completion of the assessment.

4. Summary of Significant Accounting Policies

(1) Statement of compliance

The parent company only financial statements for the years ended December 31, 2018 and 2017 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, IFRIC interpretations and SIC interpretations endorsed by FSC.

(2) Basis of preparation

The parent company only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value.

The Company accounts for subsidiaries by using the equity method in the preparation of the parent company only financial statements. In order to agree with the amount of net income, other comprehensive income and equity attributable to shareholders of the parent in the consolidated financial statements, the differences of the accounting treatment between the parent company only basis and the consolidated basis are adjusted through “investments accounted for under the equity method” and “share of profit or loss of subsidiaries and associates under the equity method" in the parent company only financial statements.

(3) Foreign currency transactions and translation of financial statements in foreign currencies

The Company's parent company only financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

Transactions in foreign currencies are initially recognized by the Company at the exchange rates prevailing on the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date; non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined; and non-monetary items measured at historical cost that are denominated in foreign currencies are retranslated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement or translation of monetary items are recognized in profit or loss in the period in which they arise, except for the following:

A. Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.

B. Foreign currency items within the scope of IFRS 9 "Financial Instruments" (prior to January 1, 2018: IAS 39) are accounted for based on the accounting policies for financial instruments.

C. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation are recognized initially in other comprehensive income and reclassified from equity to profit or loss upon disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

In the preparation of parent company only financial statements, the assets and liabilities of foreign operations are translated into New Taiwan Dollars using the closing rates at the reporting date and income and expense items are translated at the average exchange rates for the period. The exchange differences arising on the translation are recognized in other comprehensive income. Upon disposal of the foreign operations, the cumulative exchange differences recognized in other comprehensive income and accumulated in the separate component of equity are reclassified from equity to profit or loss when recognizing the gain or loss on disposal. The partial disposal involving the loss of control of a subsidiary that includes a foreign operation, and the partial disposal of interests in an associate or a joint arrangement that includes a foreign operation while the retained interests are financial assets that include a foreign operation are accounted for as disposals.

On the partial disposal of a subsidiary that includes a foreign operation while retaining control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation instead of being recognized in profit or loss. In partial disposal of an associate or a joint arrangement that includes a foreign operation while retaining significant influence or joint control, the proportionate share of the cumulative amount of the exchange differences is reclassified to profit or loss.

Goodwill arising from the acquisition of a foreign operation and fair value adjustments on the carrying amounts of assets and liabilities of such an acquisition are deemed as assets and liabilities of the foreign operation and expressed in the functional currency of the foreign operation.

(4) Classification of current and non-current assets and liabilities

An asset is classified as current when:

A. the Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle

B. the Company holds the asset primarily for the purpose of trading

C. the Company expects to realize the asset within twelve months after the reporting period

D. the asset is cash or cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

A. the Company expects to settle the liability in its normal operating cycle

B. the Company holds the liability primarily for the purpose of trading

C. the liability is due to be settled within twelve months after the reporting period

D. the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including time deposits with terms equal to or less than twelve months).

(6) Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 “Financial Instruments” (prior to January 1, 2018: IAS 39) are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities.

A. Recognition and measurement of financial assets

The accounting treatment starting from January 1, 2018 is as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date basis.

The Company classifies financial assets as subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the following two conditions:

(a) the business model for managing the financial assets, and

(b) the contractual cash flow characteristics of the financial assets

<u>Financial assets measured at amortized cost</u>

A financial asset satisfying both conditions below is measured at amortized cost and presented as notes receivables, accounts receivables, financial assets measured at amortized cost and other receivables on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Such financial assets (excluding ones involved in a hedging relationship) are subsequently measured at amortized cost {the amount initially recognized less principal repayments, plus or minus the cumulative amortization of the difference between the initial amount and the maturity amount (calculated using the effective interest method), and adjusted for loss allowance}. A gain or loss is recognized in profit or loss when the financial asset is derecognized, going through the amortization process or recognizing the impairment gains or losses.

Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

(a) For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

(b) For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

<u>Financial assets at fair value through other comprehensive income</u>

A financial asset satisfying both conditions below is measured at fair value through other comprehensive income and presented as financial assets at fair value through other comprehensive income on the balance sheet:

(a) the business model for managing the financial assets: the financial asset is held to collect its contractual cash flows and for sale, and

(b) the contractual cash flow characteristics of the financial assets: cash flows are solely payments of principal and interest on the outstanding principal.

Recognition of gain or loss on such a financial asset is described below:

(a) Prior to its derecognition or reclassification, the gain or loss on a financial asset at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses, which are recognized in profit or loss.

(b) Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

(c) Interest calculated by the effective interest method (applying the effective interest rate to the gross carrying amount of financial assets) or under one of the follow situations is recognized in profit or loss:

  i. For purchased or originated credit-impaired financial assets, interest is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial assets.

  ii. For financial assets that do not belong to the former category but subsequently have become credit-impaired, interest is calculated by applying the effective interest rate to the amortized cost of the financial assets.

In addition, for an equity instrument within the scope of IFRS 9 that is not held for trading and the contingent consideration recognized by an acquirer in a business combination under IFRS 3 does not apply, the Company makes an (irrevocable) election at initial recognition to present its subsequent changes in the fair value in other comprehensive income. Amounts presented in other comprehensive income cannot be subsequently transferred to profit or loss (upon disposal of such equity instrument, its cumulative amount in other equity is transferred directly to retained earnings) and shall be recognized as a financial asset measured at fair value through other comprehensive income on the balance sheet. Dividends from the investment are recognized in profit or loss unless they clearly represent the recovery of a part of the investment cost.

<u>Financial assets at fair value through profit or loss</u>

Except for financial assets that are measured at amortized cost or at fair value through other comprehensive income due to the satisfaction of certain conditions, all other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheet.

Those financial assets are measured at fair value and the gains or losses resulting from their remeasurement are recognized in profit or loss, which include dividends or interests received on such financial assets.

B. Impairment of financial assets

<u>The accounting treatment from January 1, 2018 is as follows:</u>

The Company recognizes and measures the loss allowance for debt instrument investments at fair value through other comprehensive income and financial assets measured at amortized cost at an amount equal to expected credit losses. The loss allowance on debt instrument investments at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the investments.

The Company measures expected credit loss in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information about past events, current conditions and forecasts of future economic conditions that is available (without undue cost or effort at the balance sheet date)

The loss allowance is measured as follows:

(a) at an amount equal to 12-month expected credit losses: including financial assets whose credit risk has not increased significantly since initial recognition or ones that are determined to have low credit risk at the balance sheet date. In addition, financial assets whose loss allowance is measured at an amount equal to lifetime expected credit losses in the previous reporting period, but the condition of a significant increase in credit risk since initial recognition is no longer met at the current balance sheet date shall also be included.

(b) at an amount equal to lifetime expected credit losses: including financial assets whose credit risk has increased significantly since initial recognition or purchased or originated credit-impaired financial assets.

(c) for accounts receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default at the reporting date and initial recognition. Please refer to Note 12 for further details on credit risk.

(7) Derivative financial instrument

The Company uses derivative instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative assets or liabilities for hedging.

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges and hedges of a net investment in a foreign operation, which is recognized in equity.

Prior to January 1, 2018, derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss.

(8) Inventories

Inventories are valued at the lower of cost or net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials	- Actual purchase cost
Work in progress and finished goods	- Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity. Borrowing costs are excluded.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

(9) Investments accounted for under the equity method

The Company accounts for its investments in subsidiaries and associates using the equity method, except for ones classified as non-current assets held for sale.

A. Investment in subsidiaries

A subsidiary is an entity controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the subsidiary. The Company recognizes its share of profit or loss and other comprehensive income of the subsidiary in profit or loss and other comprehensive income. Earning distributions received from the subsidiary reduce the carrying amount of the investment.

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

Financial statements of subsidiaries are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring subsidiaries' accounting policies into line with those used by the Company.

When changes in a subsidiary's equity are not caused by profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes related changes in equity according to its ownership percentage. Changes in the Company's ownership interests in a subsidiary that do not result in the Company losing control over the subsidiary are accounted for as equity transactions. The difference between the carrying amount of the investment and the fair value of consideration paid or received is recognized directly in equity.

The Company ceases to use the equity method when it loses control over the subsidiary. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former subsidiary and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in a subsidiary becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. The difference between the recoverable amount of the subsidiary and its carrying value is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

B. Investment in associates

An associate is an entity over which the Company has significant influence and that is not a subsidiary. Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Difference between the Company's investment cost and the share of fair value of associates' identifiable assets and liabilities is accounted for as follows:

(a) Any excess of the investment cost over the Company's share of fair value of associates' identifiable assets and liabilities as of the acquisition date is recognized as goodwill and included in the carrying amount of the investment. Goodwill cannot be amortized.

(b) Any excess of the Company's share of net fair value of associates' identifiable assets and liabilities over the investment cost is recognized as a gain in profit or loss on the investment date, after reassessing the fair value.

Under the equity method, an investment in an associate is initially recognized at cost. After the acquisition date, the carrying amount is adjusted to reflect the Company's share of profit or loss and other comprehensive income of the associate. The Company recognizes its share of profit or loss and other comprehensive income of the associate in profit or loss and other comprehensive income. Earning distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Company's proportionate interest in the associate arising from changes in the associate's other comprehensive income. Any unrealized gains or losses resulting from transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates.

Financial statements of associates are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring associates' accounting policies into line with those used by the Company.

If the Company subscribes more shares than its original ownership percentage when an associate issues new shares, while maintaining its significant influence over that associate, such an increase would be accounted for as an additional investment in the associate. If the Company's subscription results in a decrease in its ownership percentage while maintaining significant influence over that associate, the proportionate gain or loss previously recognized in other comprehensive income relative to that reduction is reclassified to profit and loss. When the Company subscripts or acquires shares of associates in a percentage differs from its existing shareholding percentage which in turn changes its net interest in the associate, the change is adjusted through capital surplus. Where the change in equity of an associate does not result from its profit or loss or other comprehensive income, and such changes do not affect the Company's ownership percentage, the Company recognizes its proportionate share of all related changes in equity. Upon disposal of the associate, the Company reclassifies the aforementioned capital surplus to profit or loss on a pro rata basis.

The Company ceases to use the equity method when it loses significant influence over the associate. The retained investment is measured and recognized at fair value. The difference between the carrying amount of the former associate and the fair value of the remaining investment plus proceeds from disposal is recognized in profit or loss. If an investment in an associate becomes an investment in a joint venture or vice versa, the Company continues to apply the equity method and does not remeasure the interest previously held.

The Company determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. The difference between the recoverable amount of the associate and its carrying value is recognized as an impairment loss in the statement of comprehensive income and the carrying amount of the investment is adjusted accordingly.

(10) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of property, plant and equipment with a cost that is significant in relation to the total cost is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognizes such parts separately as individual assets with specific useful lives and depreciation methods. The carrying amount of those parts is derecognized in accordance with the provisions of IAS 16 “Property, Plant and Equipment.” When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement cost if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	20 to 50 years
Machinery and equipment	10 years
Hydropower equipment	5 to 20 years
Testing equipment	10 years
Miscellaneous equipment	5 to 10 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed at the end of each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(11) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial time period to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(12) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, which fail to meet the recognition criteria, are not capitalized. They are recognized in profit or loss as incurred.

The useful lives of intangible assets are categorized as either finite or indefinite.

Intangible assets with finite lives are amortized on a straight-line basis over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization method or period, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

<u>In-process intangible assets - research and development costs</u>

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Company can demonstrate:

A. the technical feasibility of completing the intangible asset so that it will be available for use or sale

B. its intention to complete and its ability to use or sell the asset

C. how the asset will generate future economic benefits

D. the availability of resources to complete the asset

E. the ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied, i.e. the asset is required to be carried at cost less any accumulated amortization and accumulated impairment losses. During the period of development, the asset is tested for impairment annually. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit.

(13) Impairment of non-financial assets

The Company assesses whether there is any indication that an asset in the scope of IAS 36 "Impairment of Assets" may be impaired at the end of each reporting period. If any such indication exists, or when annual impairment testing for an asset is required, the Company would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or its CGU exceeds its recoverable amount, the asset is considered impaired. An asset's recoverable amount is the higher of an asset's net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been a change in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

Impairment loss or reversals of continuing operations are recognized in profit or loss.

(14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, of which amount can be reliably estimated. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when it is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the liability due to the passage of time is recognized as a borrowing cost.

(15) Treasury stocks

The Company's stocks acquired (treasury stocks) are recognized at cost and as a deduction to equity. Difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

The accounting treatment from January 1, 2018 is as follows:

The Company's revenue from contracts with customers mostly involves the sale of goods. The accounting treatment is detailed as follows:

The Company manufactures and sells goods. Revenues are recognized when goods have been delivered to the customers and customers have obtained control (i.e. the customers can direct the use of goods and obtain substantially all remaining benefits from the goods). The main products of the Company are flexible copper-clad laminate, cover layer and PV module backsheet. Revenues are recognized based on the prices stated on the contracts.

The credit terms of accounts receivable are set at 60 to 150 days. Accounts receivables are recognized when the control over goods is transferred and the Company has an unconditional right to collect the considerations. Those accounts receivables usually have a short collection period and do not have a significant financing component.

As for contracts where a part of the considerations is collected upon signing the contracts, the Company assumes the obligations to transfer the goods subsequently. Thus, they are recognized as contract liabilities. As it usually takes less than one year for the said contract liabilities to be reclassified to revenue, no significant financing component has arisen.

(17) Post-employment benefit plans

All regular employees of the Company are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company. Therefore, fund assets are not included in the parent company only financial statements.

For the defined contribution plan, the Company would make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. The remeasurements of net defined benefit liability (asset) include return on plan assets and any changes in the effect of the asset ceiling, and exclude amounts included in the net interest on the net defined benefit liability (asset) and actuarial gains and losses. The remeasurements of net defined benefit liability (asset) are recognized in other comprehensive income in the periods they occur and immediately recognized in the retained earnings. Past service cost is the change in the present value of defined benefit obligation due to plan amendments or curtailments. It is recognized as an expense at the earlier of the following two dates:

A. when a plan amendment or curtailment occurs; and

B. the date when the Company recognizes any related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate. Both net defined benefit liability (asset) and discount rate are determined at the beginning of annual reporting period. Changes in net defined benefit liability (asset) due to actual contributions and benefits paid during the period shall be taken into consideration.

(18) Share-based payment transactions

The cost of equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments on the grant date. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the service conditions and performance are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative cost recognized for share-based payment transactions as at the beginning and end of that period is recognized as profit or loss for the period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other service or performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(19) Income tax

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current income tax and deferred income tax.

Current income tax

Current income tax liabilities (assets) for the current and prior periods are measured based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity respectively, instead of in profit or loss.

The additional income tax for undistributed earnings is recognized as income tax expense in the year when the distribution proposal is approved in the shareholders' meeting.

Deferred income tax

Deferred income tax is the temporary difference between the tax bases of assets and liabilities and their carrying amounts in balance sheet at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

A. Where the taxable temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (loss);

B. Where the taxable temporary differences are associated with investments in subsidiaries and associates and the timing of its reversal can be controlled; and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, any unused tax losses and carryforward of unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

A. Where the deferred income tax asset is related to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

B. Where the deferred income tax asset is related to the deductible temporary differences associated with investments in subsidiaries, associates and joint ventures. The deferred income tax asset is recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred income tax relating to items recognized outside profit or loss cannot be recognized as profit or loss. Instead, it is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred income tax assets are reassessed and recognized at each reporting date.

Deferred income tax assets and liabilities are offset only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

5. Significant Accounting Judgments and Major Sources of Estimation Uncertainty

The preparation of the Company’s parent company only financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that may result in significant risks for a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

(1) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions of those models could affect the fair value of the reported financial instruments. Please refer to Note 12 for details.

(2) Receivables – impairment loss estimate

From January 1, 2018

The Company estimates the impairment loss of receivables by measuring the lifetime expected credit losses. Credit loss is calculated as the present value of the difference between contractual cash flows that are due to the Company under contracts (carrying amount) and cash flows the Company expects to receive (assessing the forward-looking information). For short-term receivables, as the discount effect is not significant, credit loss is measured using the undiscounted difference. Less-than-expected future cash flows could result in significant impairment charges. Please refer to Note 6(19) for details.

(3) Inventories

The estimates of net realizable value for inventory take into account inventory spoilage, total or partial obsolescence or selling price declines. They are based on the most reliable evidence available when those estimates are made. Please refer to Note 6 for details.

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

(4) Post-employment benefit plans

The cost of pension plan and the present value of defined benefit obligation within the post-employment benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the discount rates and expected future salary changes. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(5) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments on the grant date. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model, including the expected life of the share option, volatility and dividend yield, and making assumptions about them. The assumptions and models used for estimating the fair value of share-based payment transactions are disclosed in Note 6.

(6) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences between the actual results and the assumptions made or future changes to such assumptions could necessitate future adjustments to tax benefit and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates.

Deferred income tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred income tax assets to be recognized is based upon the likely timing and the level of future taxable income and taxable temporary differences together with future tax planning strategies. Deferred income tax assets unrecognized by the Company as of December 31, 2018 are disclosed in Note 6.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 333	$ 252
Bank deposits	1,064,722	1,230,355
Total	$ 1,065,055	$ 1,230,607

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

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

	December 31, 2018	December 31, 2017 (Note)
Mandatorily at fair value through profit or loss:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts	$ 399	
Stocks	20,421	
Total	$ 20,820	

	December 31, 2018 (Note)	December 31, 2017
Held for trading:		
Derivative instruments not designated in a hedging relationship		
- Forward foreign exchange contracts		$ 44
Non-derivative financial assets - Stocks		16,677
Total		$ 16,721

Note: The Company adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The Company's financial assets at fair value through profit or loss were not pledged.

(3) Notes receivable, net

	December 31, 2018	December 31, 2017
Notes receivable, net	$ 4,826	$ 9,858

The Company's notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment on January 1, 2018. Please refer to Note 6(19) for details on loss allowance and Note 12 for information concerning credit risk.

(4) Accounts receivable, net

	December 31, 2018	December 31, 2017
Accounts receivable	$ 2,077,747	$ 644,177
Less: loss allowance	(37,805)	(145,700)
Subtotal	2,039,942	498,477
Accounts receivable – related parties	1,348,288	1,543,450
Total	$ 3,388,230	$ 2,041,927

A. The credit terms of accounts receivable are generally set at 60 to 150 days from the end of month. The Company adopted IFRS 9 for impairment assessment on January 1, 2018. Please refer to Note 6(19) for loss allowance for the year ended December 31, 2018. Prior to January 1, 2018, IAS 39 was adopted for impairment assessment. The movements in the allowance for impairment of accounts receivable for the year ended December 31, 2017 were as follows (please refer to Note 12 for credit risk disclosure):

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

	December 31, 2017
Beginning balance	$ 209,974
Reversal for the year	(64,274)
Write off	—
Ending balance	$ 145,700

B. Ageing analysis of net accounts receivable:

	December 31,2017
Neither past due nor impaired	$ 1,833,708
Past due but not impaired	
≤ 120 days	208,198
121 to 180 days	21
≥ 181 days	—
Total	$ 2,041,927

C. The Company entered into factoring agreements without recourse with banks. The banks would engage in factoring with respect to accounts receivable selected. The information of factoring transactions was as follows:

The Company had no factoring agreements as of December 31, 2018 and factoring transactions as of December 31, 2017 was as follows:

December 31, 2017			
Amount of Accounts Receivable	Amount of Factoring	Condition	Unreceived Amount (Recorded as Other Receivables)
US$ 38,680 thousand	US$ 38,680 thousand	without recourse	-

The Company's accounts receivables were not pledged.

(5) Inventories, net

	December 31, 2018	December 31, 2017
Raw materials	$ 501,897	$ 357,939
Inventories in transit	34,238	20,873
Supplies	6,094	1,035
Work in process	46,265	19,548
Finished goods	258,606	348,991
Merchandise	4,650	3,992
Total	$ 851,750	$ 752,378

Expenses or income recognized were as follows:

	Years Ended December 31	
	2018	2017
Cost of inventories sold	$ 5,900,625	$ 5,914,573
Write-down (gain on recovery) of inventory	37,396	(8,662)
Loss on inventory write-off	8,624	2,834
Revenue from sale of scraps	(25,537)	(24,107)
Cost of revenue	$ 5,921,108	$ 5,884,638

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

For the year ended December 31, 2017, gain on inventory value recovery due to a decrease in allowance for inventory valuation losses from price recovery of inventories with allowance for inventory valuation losses at beginning of period, inventories sold or inventories used amounted to NT$8,662 thousand.

The aforementioned inventories were not pledged.

(6) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2018	December 31, 2017 (Note)
Equity instrument investments at fair value through other comprehensive income - non-current:		
Non-listed (OTC) stocks	$ —	

Note: The Company adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The Company’s financial assets at fair value through other comprehensive income were not pledged.

(7) Financial assets carried at cost - non-current

	December 31,2017
Stocks	$ 6,600
Less: accumulated impairment	(6,600)
Net	$ —

Note: The Company adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

The aforementioned non-listed (OTC) stocks held by the Company were recognized in accordance with IAS 39 prior to January 1, 2018. Since the range of reasonable fair value estimates was significant and the probabilities of various estimates could not be reasonably assessed, those stocks could not be measured at fair value. Thus, they were measured at cost.

The Company’s financial assets carried at cost were not pledged.

(8) Investments accounted for under the equity method

	December 31, 2018		December 31, 2017	
Investees	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
Taistar Co., Ltd.	$ 1,133,837	100.00%	$ 1,763,948	100.00%
Leadmax Limited	10,990	100.00%	15,730	100.00%
Koatech Technology Corp.	233,440	53.86%	230,964	53.86%
TFS Co., Ltd.	469,677	100.00%	486,900	100.00%
Taiflex Scientific Japan Co., Ltd.	17,696	100.00%	16,529	100.00%
Richstar Co., Ltd.	564,429	53.01%	—	—
Taiflex USA Corporation	8,861	100.00%	—	—
Subtotal	2,438,930		2,514,071	
Investments in associates:				
Innovision FlexTech Corp.	51,470	15.07%	31,518	15.67%
Less: accumulated impairment – Innovision FlexTech Corp.	—		(31,518)	
Subtotal	51,470		—	
Total	$ 2,490,400		$ 2,514,071	

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

The aforementioned investments accounted for under the equity method were not pledged.

A. The shares of profit or loss of the subsidiaries and associates accounted for under the equity method for the years ended December 31, 2018 and 2017 were as follows:

	Years Ended December 31	
Investee	2018	2017
Taistar Co., Ltd.	$ (313,497)	$ 88,867
Leadmax Limited	(5,114)	890
Innovision FlexTech Corp.	19,666	—
Koatech Technology Corp.	2,669	8,262
TFS Co., Ltd.	50,426	63,853
Taiflex Scientific Japan Co., Ltd.	331	(444)
Richstar Co., Ltd.	10,408	—
Taiflex USA Corporation	(348)	—
Total	$ (235,459)	$ 161,428

B. In December 2017, the Company participated in the capital increase of Innovision FlexTech Corp. (Innovision) and subscribed at a percentage different from its existing ownership percentage. Thus, the shareholding percentage reduced from 16.72% to 15.67%. In February 2018, the Company subscribed in the capital increase of Innovision at a percentage different from its existing ownership percentage. The shareholding percentage dropped from 15.67% to 15.07%. The Company evaluated and concluded that it still had significant influence over Innovision; thus, this investment was accounted for using the equity method.

C. The summarized financial information of the Company's investments in associates was as follows:

	December 31, 2018	December 31, 2017
Total assets	$ 471,150	$ 331,496
Total liabilities	$ 129,608	$ 73,767

	Years Ended December 31	
	2018	2017
Revenue	$ 333,264	$ 190,056
Net income	$ 72,099	$ 12,587

D. For investments accounted for under the equity method, the Company recognized a gain on reversal of impairment of NT$31,518 thousand for the year ended December 31, 2018 based on the assessment of future recoverable amount.

E. The aforementioned recoverable amount was measured at fair value less costs of disposal and the fair value was determined using the market approach. The recent financing activities of the investees, the technology development status, companies with similar attributes, market conditions and other economic indicators shall all be considered. This was a level 3 fair value measurement.

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

(9) Property, plant and equipment

	December 31, 2018	December 31, 2017
Buildings	$ 775,683	$ 549,548
Machinery and equipment	764,262	707,518
Hydropower equipment	136,684	61,602
Testing equipment	143,165	121,074
Miscellaneous equipment	75,304	60,828
Construction in progress and equipment awaiting inspection	227,187	538,614
Net	$ 2,122,285	$ 2,039,184

	As of January 1, 2018	Additions	Disposals	Reclassification	As of December 31, 2018
Cost					
Buildings	$ 724,994	$ 5,181	$ (213)	$ 257,927	$ 987,889
Machinery and equipment	2,039,678	55,411	(17,752)	124,453	2,201,790
Hydropower equipment	259,177	5,309	—	81,255	345,741
Testing equipment	228,682	7,360	(1,890)	37,367	271,519
Miscellaneous equipment	153,594	5,412	(4,831)	21,654	175,829
Total	$ 3,406,125	$ 78,673	$ (24,686)	$ 522,656	$ 3,982,768
Accumulated depreciation and impairment					
Buildings	$ 175,446	$ 36,973	$ (213)	$ —	$ 212,206
Machinery and equipment	1,332,160	123,120	(17,752)	—	1,437,528
Hydropower equipment	197,575	11,482	—	—	209,057
Testing equipment	107,608	22,636	(1,890)	—	128,354
Miscellaneous equipment	92,766	12,590	(4,831)	—	100,525
Total	$ 1,905,555	$ 206,801	$ (24,686)	$ —	$ 2,087,670
Construction in progress and equipment awaiting inspection	538,614	211,625	—	(523,052)	227,187
Net	$ 2,039,184				$ 2,122,285

	As of January 1, 2017	Additions	Disposals	Reclassification	As of December 31, 2017
Cost					
Buildings	$ 700,219	$ 1,272	$ —	$ 23,503	$ 724,994
Machinery and equipment	1,989,189	15,306	(3,442)	38,625	2,039,678
Hydropower equipment	238,006	3,993	(19)	17,197	259,177
Testing equipment	199,856	14,614	(213)	14,425	228,682
Miscellaneous equipment	128,184	3,776	(3,039)	24,673	153,594
Total	$ 3,255,454	$ 38,961	$ (6,713)	$ 118,423	$ 3,406,125

(Continued)

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

	As of January 1, 2017	Additions	Disposals	Reclassification	As of December 31, 2017
Accumulated depreciation and impairment					
Buildings	$ 144,839	$ 30,607	$ －	$ －	$ 175,446
Machinery and equipment	1,220,380	115,195	(3,415)	－	1,332,160
Hydropower equipment	189,549	8,045	(19)	－	197,575
Testing equipment	92,480	15,341	(213)	－	107,608
Miscellaneous equipment	83,986	11,819	(3,039)	－	92,766
Total	$ 1,731,234	$ 181,007	$ (6,686)	$ －	$ 1,905,555
Construction in progress and equipment awaiting inspection	412,601	244,436	－	(118,423)	538,614
Net	$ 1,936,821				$ 2,039,184

(Concluded)

Please refer to Note 8 for property, plant and equipment pledged.

(10) Intangible assets

	December 31, 2018	December 31, 2017
Trademarks	$ 354	$ 415
Patents	6,848	7,779
Software cost	31,940	37,178
Total	$ 39,142	$ 45,372

	As of January 1, 2018	Additions	Reclassification	As of December 31, 2018
Cost				
Trademarks	$ 672	$ －	$ －	$ 672
Patents	14,881	775	－	15,656
Software cost	107,518	9,002	396	116,916
Total	$ 123,071	$ 9,777	$ 396	$ 133,244
Amortization and impairment				
Trademarks	$ 257	$ 61	$ －	$ 318
Patents	7,102	1,706	－	8,808
Software cost	70,340	14,636	－	84,976
Total	77,699	$ 16,403	$ －	94,102
Net	$ 45,372			$ 39,142

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

	As of January 1, 2017	Additions	Reclassification	As of December 31, 2017
Cost				
Trademarks	$ 583	$ 89	$ –	$ 672
Patents	12,836	2,045	–	14,881
Software cost	87,449	20,069	–	107,518
Total	$ 100,868	$ 22,203	$ –	$ 123,071
Amortization and impairment				
Trademarks	$ 198	$ 59	$ –	$ 257
Patents	5,489	1,613	–	7,102
Software cost	58,284	12,056	–	70,340
Total	63,971	$ 13,728	$ –	77,699
Net	$ 36,897			$ 45,372

(11) Other non-current assets

	December 31, 2018	December 31, 2017
Refundable deposits	$ 6,806	$ 10,755

(12) Short-term loans

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 1,165,000	$ –

The interest rates of loans were 0.74% to 1.04% as of December 31, 2018.

(13) Financial liabilities at fair value through profit or loss - current

	December 31, 2018	December 31, 2017
Held for trading:		
Derivative financial instruments not designated in a hedging relationship - Forward foreign exchange contracts	$ 2,453	$ 4,036

(14) Long-term loans

	December 31, 2018	December 31, 2017
Revolving loans	$ 295,000	$ 138,182
Syndicated loans	–	–
Total	295,000	138,182
Less: current portion	–	(19,091)
Less: unamortized syndicated loan fee	–	–
Net	$ 295,000	$ 119,091

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

A. The interest rates of loans were 0.88% and 0.85% to 2.47% as of December 31, 2018 and 2017, respectively.

B. In January 2016, the Company entered into a syndicated loan agreement with ten financial institutions, including the Bank of Taiwan (bookrunner), for a loan facility of NT$2.5 billion or the equivalent in U.S. dollars. (The Company applied to lower the credit to NT$1.5 billion or the equivalent in U.S. dollars in July 2017.) The contract term is five years from the initial drawdown date, i.e. June 2016 to June 2021. The credit term of the agreement was mid-term loans - current. During the loan term, the Company is required to calculate and maintain the following financial ratios at an agreed level based on the consolidated financial statements audited by CPAs every six months: current ratio, debt ratio, interest coverage ratio and tangible net value. The Company has abided by those terms.

(15) Post-employment benefit plans

A. Defined contribution plan

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$23,076 thousand and NT$20,956 thousand, respectively.

B. Defined benefit plan

Expenses under the defined benefit plan were as follows:

	Years Ended December 31	
Financial Statement Account	2018	2017
Operating costs	$ 5,232	$ 7,339
Sales and marketing expenses	598	1,055
General and administrative expenses	3,346	9,026
Research and development expenses	3,415	3,318
Total	$ 12,591	$ 20,738

C. Accumulated amounts of actuarial gain or loss recognized under other comprehensive income were as follows:

	Years Ended December 31	
	2018	2017
Beginning balance	$ 101,009	$ 125,139
Actuarial gain or loss	(55,488)	(24,130)
Ending balance	$ 45,521	$ 101,009

D. Reconciliation of defined benefit obligation at present value and plan asset at fair value was as follows:

	Years Ended December 31	
	2018	2017
Present value of defined benefit obligation	$ 172,041	$ 213,669
Fair value of plan assets	(33,618)	(29,545)
Funded status	138,423	184,124
Net defined benefit liability	$ 138,423	$ 184,124

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

E. Changes in the present value of the defined benefit obligation were as follows:

	Years Ended December 31	
	2018	2017
Balance, beginning of year	$ 213,669	$ 222,272
Current service cost	9,644	11,782
Past service cost	—	5,531
Interest cost	3,419	4,001
Actuarial gain or loss	(54,691)	(24,386)
Benefits paid	—	(5,531)
Balance, end of year	$ 172,041	$ 213,669

F. Changes in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2018	2017
Balance, beginning of year	$ 29,545	$ 31,996
Return on plan assets	472	576
Contributions from employer	2,804	2,760
Actuarial gain or loss	797	(256)
Benefits paid	—	(5,531)
Balance, end of year	$ 33,618	$ 29,545

G. The Company expects to make contributions of NT$8,962 thousand to the defined benefit plan in the following 12 months as of December 31, 2018.

H. The major categories of plan assets as a percentage of the fair value of total plan assets were as follows:

	Pension Plan (%)	
	December 31, 2018	December 31, 2017
Cash	100%	100%

The Company’s actual return on plan assets were NT$1,269 thousand and NT$320 thousand for the years ended December 31, 2018 and 2017, respectively.

The expected rate of return on plan assets is determined based on historical trend and analysts’ expectation on the asset’s return in its market over the obligation period. Furthermore, the utilization of the fund by the labor pension fund supervisory committee and the fact that the minimum earnings are guaranteed to be no less than the earnings attainable from local banks’ two-year time deposits are also taken into consideration in determining the expected rate of return on plan assets.

I. The principal assumptions used in determining the Company’s defined benefit plan were shown below:

	December 31, 2018	December 31, 2017
Discount rate	1.31%	1.60%
Expected rate of return on plan assets	1.31%	1.60%
Expected rate of salary increases	3.00%	4.50%

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

J. A 0.5 % change in the discount rate would result in the following:

	Years Ended December 31			
	2018		2017	
	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Decrease
Effect on the aggregate current service cost and interest cost	$ (205)	$ 131	$ (502)	$ 453
Effect on the present value of defined benefit obligation	(14,613)	16,194	(19,506)	21,744

K. Other information on the defined benefit plan was as follows:

	Years Ended December 31	
	2018	2017
Present value of defined benefit obligation, ending balance	$ 172,041	$ 213,669
Fair value of plan assets, ending balance	(33,618)	(29,545)
Surplus/deficit of plan, ending balance	$ 138,423	$ 184,124
Experience adjustments on plan liabilities	$ (15,345)	$ (9,037)
Experience adjustments on plan assets	$ (797)	$ 256

(16) Equity

A. Capital

(a) The Company’s authorized capital was NT$3,000,000 thousand, each at a par value of NT$10, divided into 300,000 thousand shares (including 15,000 thousand shares with the amount of NT$150,000 thousand reserved for the exercise of employee stock options, preferred stock with warrants and bond with warrants) as of December 31, 2018 and 2017.

(b) The Company’s issued capital was NT$2,091,197 thousand and NT$2,087,802 thousand, each at a par value of NT$10, divided into 209,120 thousand shares and 208,780 thousand shares as of December 31, 2018 and 2017, respectively.

B. Capital surplus

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 1,042,894	$ 1,036,041
Premium from merger	262,500	262,500
Donated assets	1,970	1,970
Treasury stock transactions	27,280	27,280
Others	111,995	113,548
Total	$ 1,446,639	$ 1,441,339

According to laws and regulations, capital surplus shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company as stock dividends up to a certain percentage of paid-in capital. The said capital surplus could also be distributed in the form of cash dividends to its shareholders in proportion to the number of shares being held by each of them.

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

C. Treasury stocks

As of December 31, 2018 and 2017, the number of treasury stocks held by the Company was 0 thousand shares with the amount of NT$0 thousand.

The changes of treasury stocks in the years ended December 31, 2018 and 2017 were as follows:

Reasons of Repurchase	As of January 1	Increase	Decrease	As of December 31
2018				
Transferred to employees	—	—	—	—
2017				
Transferred to employees	2,318 thousand shares	—	2,318 thousand shares	—

Pursuant to the Securities and Exchange Act, the number of shares repurchased cannot exceed ten percent of the shares outstanding and the repurchase amount shall not exceed the sum of retained earnings, share premium and realized capital surplus. The shares bought back by the Company to be transferred to employees shall be transferred within three years from the buyback date. Shares not transferred within the said time limit shall be deemed as unissued shares and must be cancelled. Furthermore, treasury stocks shall not be pledged as collateral and they do not have shareholders' rights before being transferred.

D. Appropriation of profits and dividend policies

The Articles of Incorporation state that current year's earnings, if any, shall be distributed in the following order:

(a) Taxes and dues.

(b) Deficit compensation.

(c) 10% of net profit as legal capital reserves. However, this shall not apply when the accumulated legal capital reserve has equaled the total capital.

(d) Special capital reserve appropriated or reversed as stipulated by relevant laws and regulations or the competent securities authorities.

(e) For the remaining profits, if any, the Board of Directors shall draft a proposal for the distribution of bonus to shareholders and submit it to the shareholders' meeting for resolution.

After taking into account the environment and development stage of the Company, the needs of capital in the future, long-term financial planning and shareholders' demand for cash, the Board of Directors shall draw up an earnings distribution proposal based on the distributable earnings and submit it to the shareholders' meeting for approval. At least forty percent of the distributable earnings shall be appropriated as shareholders' dividends. The cash dividend shall not be lower than 10 percent of the total dividends and shall be capped at 100 percent.

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

Following the adoption of IFRS, the Company complies with Order No. Jin-Guan-Zheng-Fa-1010012865 issued by the FSC on April 6, 2012, which sets out the following provisions: On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special capital reserve. Following a company's adoption of the IFRS for the preparation of its financial reports, when distributing distributable earnings, if the company has already set aside special capital reserve according to the requirements in the preceding point, it shall set aside supplemental special capital reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of December 31, 2018 and 2017, special capital reserve set aside for the first-time adoption of IFRS amounted to NT$75,546 thousand and NT$102,158 thousand, respectively. Furthermore, the Company reversed NT$26,612 thousand of special capital reserve recognized to undistributed earnings during the year ended December 31, 2018 as the consolidated entity disposed of related assets.

Information about the appropriations of 2017 and 2016 earnings approved in the shareholders' meetings on May 29, 2018 and May 26, 2017, respectively, was as follows:

	Appropriation of Earnings		Dividend per Share (NT$)	
	2017	2016	2017	2016
Legal capital reserve	$ 73,459	$ 57,968	—	—
Cash dividends - common stocks	522,799	412,254	$ 2.50	$ 2.00
Total	$ 596,258	$ 470,222		

Please refer to Note 6(21) for information on the accrual basis and the amounts recognized for compensation to employees and remuneration to directors.

(17) Share-based payment plans

On February 25, 2010, the Company resolved at the Board of Directors' meeting to issue employee stock options with a total number of 2,355 units. Each unit entitles an optionee to subscribe to 1,000 shares of the Company's common stock. The chairperson is authorized by the Board to set the actual grant date. If a consensus was not reached regarding all terms and conditions, the grant date would be the date when consensuses for all were reached (April 30, 2010). Settlement upon exercise of the options will be made through issuance of new shares by the Company. An optionee may exercise the options in accordance with certain schedules and percentages prescribed by the plan two years from the grant date. Expense of the compensatory employee stock option plan for the year ended December 31, 2018 was NT$0 thousand.

There have been no cancellations or modifications to any of the employee stock option plans by December 31, 2018.

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

	Years Ended December 31			
	2018		2017	
Stock options	Quantity	Weighted Average Exercise Price per Share (NT$)	Quantity	Weighted Average Exercise Price per Share (NT$)
Outstanding at beginning of period	273	$ 35.10	952	$ 36.80
Granted	—	—	—	—
Forfeited	—	—	—	—
Exercised	(273)	35.10	(522)	35.77
Expired	—	—	(157)	—
Outstanding at end of period	—	—	273	35.10
Exercisable at end of period	—	—	273	35.10

Information on the aforementioned employee stock options outstanding as of December 31, 2018 and 2017 was as follows:

	Weighted Average Remaining Contractual Years	
Date of Grant	December 31, 2018	December 31, 2017
April 30, 2010	-	0.33

(18) Revenue

	Years Ended December 31	
	2018 (Note)	2017
Sale of goods	$ 7,633,620	$ 7,383,077

Note: The Company adopted IFRS 15 for the recognition of revenue from contracts with customers on January 1, 2018 and chose to recognize the cumulative effect of the first-time adoption on January 1, 2018.

(19) Reversal of expected credit loss

	Years Ended December 31	
	2018	2017 (Note)
Operating expenses – Reversal of expected credit loss		
Accounts receivable	$ (107,895)	

Note: The Company adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

Please refer to Note 12 for information concerning credit risk.

For receivables (including notes and accounts receivables (related parties)), the Company measured the loss allowance at an amount equal to lifetime expected credit losses. The assessment on the loss allowance as of December 31, 2018 was as follows:

Receivables were grouped by considering the credit ratings of counterparties, geographical regions and industry sectors, and the loss allowance was measured by adopting a provision matrix. Details were as follows:

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

	Not Past Due (Note)	Past Due: Within 90 Days	Past Due: 91-180 Days	Past Due: Over 181 Days	Total
Gross carrying amount	$ 3,059,990	$ 365,979	$ －	$ 4,892	$ 3,430,861
Loss ratio	0%~1%	0%~20%	20%~50%	50%~100%	
Lifetime expected credit losses	19,827	13,086	－	4,892	37,805
Subtotal	$ 3,040,163	$ 352,893	$ －	$ －	$ 3,393,056

Note: None of the Company's notes receivables was overdue.

The movements in the loss allowance for receivables in the year ended December 31, 2018 were as follows:

	Receivables
Beginning balance	$ 145,700
Reversal in the current period	(107,895)
Write off	－
Ending balance	$ 37,805

(20) Operating leases

The Company entered into commercial property leases which were non-cancellable operating lease agreements. The average duration was between one to ten years. Some lease agreements had renewal options.

Total future minimum lease payments were as follows:

	2018.12.31	2017.12.31
Less than 1 year	$ 14,585	$ 15,597
More than 1 year but less than 5 years	35,730	34,126
More than 5 years	18,459	13,796
Total	$ 68,774	$ 63,519

Expenses recognized under operating leases were as follows:

	Years Ended December 31	
	2018	2017
Minimum lease payments	$ 26,039	$ 33,054

(21) Summary statement of employee benefits, depreciation and amortization expenses by function:

Function / Nature	Years Ended December 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salaries	353,493	280,535	634,028	335,010	297,748	632,758
Labor and health insurance	32,857	18,197	51,054	28,751	18,239	46,990
Pension	20,180	15,487	35,667	20,275	21,419	41,694
Remuneration to directors	－	20,109	20,109	－	20,853	20,853

(Continued)

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

Function / Nature	Years Ended December 31					
	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Other employee benefits expense	41,107	20,004	61,111	37,719	20,861	58,580
Depreciation	177,307	29,494	206,801	157,356	23,651	181,007
Amortization	3,737	12,666	16,403	4,018	10,530	14,548

(Concluded)

As of December 31, 2018 and 2017, the Company had 759 and 715 employees, respectively. There were 6 Directors who were not employees for both years.

According to the Company's Articles of Incorporation, when the Company makes a profit for the year, the compensation to employees shall not be lower than five percent of the balance and the remuneration to directors shall not be higher than four percent of the balance. However, if the Company has an accumulated deficit, the profit shall cover the deficit before it can be used for compensation to employees and remuneration to directors. The above-mentioned compensation to employees can be made in the form of stock or cash by a resolution adopted by a majority vote at a Board of Directors' meeting attended by two-thirds of the total number of directors. A report of such distribution shall be submitted to the shareholders' meeting. Information on the compensation to employees and remuneration to directors resolved or reported at the meetings of Board of Directors and shareholders is available at the Market Observation Post System website.

If the Board of Directors resolved to distribute compensation to employees in the form of stock, the closing price of stocks on the date preceding the resolution shall be the basis in calculating the number of stocks to be distributed. If the amount accrued differed from the amount resolved in the Board of Directors' meeting, the difference would be recognized in the profit or loss of the following year.

Information on 2018 compensation to employees and remuneration to directors resolved in the Board of Directors' meeting on January 18, 2019 and 2017 compensation to employees and remuneration to directors in the form of cash reported in the shareholders' meeting on May 29, 2018 was as follows:

	Years Ended December 31	
	2018	2017
Compensation to employees	$ 72,535	$ 74,579
Remuneration to directors	19,834	20,393

The above-mentioned 2017 compensation to employees and remuneration to directors reported in the shareholders' meetings were consistent with the amounts resolved in the Board of Directors' meetings held on January 17, 2018, and the amounts recognized as expenses in the financial statements.

(22) Non-operating income and expenses

A. Other income

	Years Ended December 31	
	2018	2017
Interest income	$ 29,449	$ 24,690
Other income	41,407	14,474
Total	$ 70,856	$ 39,164

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

B. Other gains and losses

	Years Ended December 31	
	2018	2017
Foreign exchange loss, net	$ 23,902	$ (39,022)
Loss of financial assets (liabilities) at fair value through profit or loss, net	(12,328)	(11,963)
Gain on reversal of impairment loss	31,518	—
Other losses	(1,200)	(1,200)
Total	$ 41,892	$ (52,185)

C. Finance costs

	Years Ended December 31	
	2018	2017
Interest on borrowings from banks	$ (17,555)	$ (17,427)

D. Components of other comprehensive income

For the year ended December 31, 2018

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ 55,488	$ —	$ 55,488	$ (11,098)	$ 44,390
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(85,854)	—	(85,854)	19,311	(66,543)
Total	$ (30,366)	$ —	$ (30,366)	$ 8,213	$ (22,153)

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income	Income tax benefit (expense)	Other comprehensive income, net of tax
Items that will not be reclassified subsequently to profit or loss:					
Remeasurement of defined benefit plan	$ 24,130	$ —	$ 24,130	$ (4,102)	$ 20,028
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(22,050)	—	(22,050)	3,749	(18,301)
Total	$ 2,080	$ —	$ 2,080	$ (353)	$ 1,727

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

(23) Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's corporate income tax rate for the year ended December 31, 2018 was adjusted from 17% to 20%. The tax rate applicable to undistributed earnings for the year ended December 31, 2018 was reduced from 10% to 5%.

A. The major components of income tax expense were as follows:

Income tax recognized in profit or loss

	Years Ended December 31	
	2018	2017
Current income tax expense (benefit):		
Current income tax expense	$ 248,526	$ 113,960
Income tax adjustments on prior years	(7,447)	11,292
Deferred income tax expense:		
Income tax expense relating to origination and reversal of temporary differences	(56,764)	43,377
Adjustments relating to changes in tax rates	14,565	–
Total income tax expense	$ 198,880	$ 168,629

Income tax recognized in other comprehensive income

	Years Ended December 31	
	2018	2017
Deferred income tax expense (benefit):		
Remeasurement of defined benefit plan	$ 11,098	$ 4,102
Exchange differences arising on translation of foreign operations	(19,311)	(3,749)
Income tax relating to components of other comprehensive income	$ (8,213)	$ 353

B. The reconciliation of income tax expense and income tax based on pre-tax net income at the statutory tax rate was as follows

	Years Ended December 31	
	2018	2017
Income before tax of continuing operations	$ 871,189	$ 903,218
Income tax expense at the statutory rate of the Company	$ 174,238	$ 153,547
Additional 10% income tax on unappropriated earnings	15,836	4,963
Income tax adjustments on prior years	(7,447)	11,292
Tax effects of other tax adjustments	16,253	(1,173)
Income tax expense recognized in profit or loss	$ 198,880	$ 168,629

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

C. Balance of deferred income tax assets (liabilities):

For the year ended December 31, 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 4,457	$ 8,359	$ －	$ －	$ 12,816
Allowance for inventory valuation and obsolescence loss	8,341	8,951	－	－	17,292
Investments accounted for under the equity method	(153,008)	39,960	19,311	(1,742)	(95,479)
Unrealized intra-group profits and losses	3,667	3,840	－	－	7,507
Impairment of assets	6,480	(5,160)	－	－	1,320
Allowance for doubtful accounts	22,419	(20,084)	－	－	2,335
Net defined benefit liabilities	31,301	7,482	(11,098)	－	27,685
Others	(77)	(1,149)	－	－	(1,226)
Deferred income tax benefit (expense)		$ 42,199	$ 8,213	$ (1,742)	
Net deferred income tax assets (liabilities)	$ (76,420)				$ (27,750)
Reflected in balance sheet as follows:					
Deferred income tax assets	$ 99,874				$ 100,000
Deferred income tax liabilities	$ 176,294				$ 127,750

For the year ended December 31, 2017

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized in equity	Ending balance
Temporary differences					
Exchange gain and loss	$ 5,048	$ (591)	$ －	$ －	$ 4,457
Allowance for inventory valuation and obsolescence loss	9,814	(1,473)	－	－	8,341
Investments accounted for under the equity method	(127,644)	(29,113)	3,749	－	(153,008)
Unrealized intra-group profits and losses	8,766	(5,099)	－	－	3,667
Impairment of assets	6,480	－	－	－	6,480
Allowance for doubtful accounts	34,295	(11,876)	－	－	22,419
Net defined benefit liabilities	32,347	3,056	(4,102)	－	31,301
Others	(1,796)	1,719	－	－	(77)
Deferred income tax benefit (expense)		$ (43,377)	$ (353)	$ －	
Net deferred income tax assets (liabilities)	$ (32,690)				$ (76,420)
Reflected in balance sheet as follows:					
Deferred income tax assets	$ 126,425				$ 99,874
Deferred income tax liabilities	$ 159,115				$ 176,294

D. Unrecognized deferred income tax assets:

As of December 31, 2018 and 2017, the Company had no deferred income tax assets that had not been recognized.

E. The assessment of income tax returns:

As of December 31, 2018, the Company's income tax return was assessed and approved up to 2016.

(24) Earnings per share

	Year Ended December 31, 2018		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income available to common shareholders of the Company	$ 672,309	209,084	$ 3.22
Effect of dilutive potential common stocks			
Employee compensation - stock	—	2,142	
Diluted earnings per share			
Net income available to common shareholders of the Company and effect of potential common stocks	$ 672,309	211,226	$ 3.18

	Year Ended December 31, 2017		
	Amount after-tax	Weighted average number of outstanding shares (in thousands)	EPS (NT$)
Basic earnings per share			
Net income available to common shareholders of the Company	$ 734,589	206,938	$ 3.55
Effect of dilutive potential common stocks			
Employee compensation - stock	—	1,406	
Diluted earnings per share			
Net income available to common shareholders of the Company and effect of potential common stocks	$ 734,589	208,344	$ 3.53

7. Related Party Transactions

(1) Names and relationships

Name	Relationship
Taistar Co., Ltd.	100% owned subsidiary
Leadmax Limited	100% owned subsidiary
TFS Co., Ltd.	100% owned subsidiary
Taiflex Scientific Japan Co., Ltd.	100% owned subsidiary
Taiflex USA Corporation	100% owned subsidiary
TSC Co., Ltd.	100% owned second-tier subsidiary
Richstar Co., Ltd.	100% owned second-tier subsidiary
Taiflex Scientific (Kunshan) Co., Ltd. (Taiflex Kunshan)	100% owned third-tier subsidiary
Shenzhen Taiflex Electronic Co., Ltd. (Shenzhen Taiflex)	100% owned third-tier subsidiary
Rudong Fuzhan Scientific Co., Ltd.	100% owned third-tier subsidiary
Koatech Technology Corporation (Koatech)	53.86% owned subsidiary
Innatech Co., Ltd. (Innatech)	Its chairperson is the Company's chairperson

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

(2) Significant transactions with related parties

A. Sales

	Years Ended December 31 2018	2017
Subsidiaries	$ 2,193,993	$ 2,340,459

The sales prices of related party transactions were determined through mutual agreements based on market conditions. The outstanding balances as of December 31, 2018 and 2017 were unsecured and non-interest bearing and must be settled in cash. The receivables from the related parties were not guaranteed.

B. Purchases

	Years Ended December 31 2018	2017
Subsidiaries	$ 110,029	$ 212,207

The purchase prices of related party transactions were determined through mutual agreement based on market conditions. The payment terms of related party transactions were comparable with ones of non-related party transactions.

C. Accounts receivable - related parties

	December 31, 2018	December 31, 2017
Subsidiaries	$ 1,348,288	$ 1,543,450

D. Other receivables - related parties

(a) Non-financing

	December 31, 2018	December 31, 2017
Subsidiaries	$ 225,166	$ 65,230

(b) Financing

December 31, 2018

	Maximum Balance	Ending Balance	Amount Actually Drawn	Interest Receivable	Interest Rate	Interest Income
Subsidiaries	$ 1,662,466	$ 1,357,768	$ 998,242	$ 5,958	1.7%～4.0%	$21,487

December 31, 2017

	Maximum Balance	Ending Balance	Amount Actually Drawn	Interest Receivable	Interest Rate	Interest Income
Subsidiaries	$ 1,651,040	$ 1,610,820	$ 990,477	$ 2,260	1.2%～7.0%	$13,384

E. Accounts payable - related parties

	December 31, 2018	December 31, 2017
Subsidiaries	$ 26,934	$ 64,273

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

F. Other payables – related parties

	December 31, 2018	December 31, 2017
Subsidiaries	$ 31,113	$ 11,439
Other related parties	648	441
Total	$ 31,761	$ 11,880

G. Compensation to key management

	Years Ended December 31	
	2018	2017
Short-term employee benefits	$ 62,701	$ 64,637
Post-employment benefits	509	6,396
Total	$ 63,210	$ 71,033

8. Pledged Assets

The following table listed assets of the Company pledged as collateral:

	Carrying Amount		
	December 31, 2018	December 31, 2017	Purpose of Pledge
Time deposits (Note)	$ 20,413	$ 20,354	Customs guarantee
Buildings	42,277	43,626	Letter of credit and short-term credit facilities
Total	$ 62,690	$ 63,980	

Note: Those assets were recognized as other current assets.

9. Significant Contingencies and Unrecognized Contract Commitments

Details of the Company's unused letters of credit as of December 31, 2018 were as follows:

	L / C Balance	
NTD	NT$	6,646 thousand
USD	US$	6,974 thousand
JPY	JPY	44,960 thousand

10. Significant Disaster Loss

A fire broke out in the Company's subsidiary, Taiflex Scientific (Kunshan) Co., Ltd., on January 25, 2018. Parts of the plants, equipment and inventories were damaged, flooded and suffered from smoke and dust pollution. The repair and cleaning work were still underway. Those assets were covered by fire insurance policies. As of December 31, 2018, the insurance claim was still being processed by the insurance company.

11. Significant Subsequent Events

None.

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

12. Others

(1) Categories of financial instruments

Financial assets

	December 31, 2018	December 31, 2017
Financial assets at fair value through profit or loss:		
Held for trading	(Note 1)	$ 17,463
Mandatorily at fair value through profit or loss	$ 20,820	(Note 1)
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	1,064,722	(Note 1)
Receivables	4,665,651	(Note 1)
Other financial assets - current	20,413	(Note 1)
Loans and receivables (Note 2)	(Note 1)	3,149,008

Financial liabilities

	December 31, 2018	December 31, 2017
Financial liabilities at fair value through profit or loss:		
Held for trading	$ 2,453	$ 4,036
Financial liabilities at amortized cost:		
Short-term loans	1,165,000	—
Payables	2,223,967	2,184,281
Long-term loans (including current portion)	295,000	138,182

Note: 1. The Company adopted IFRS 9 on January 1, 2018 and chose not to restate the comparative periods in accordance with the transitional provisions of IFRS 9.

2. Including cash and cash equivalents, notes and accounts receivables, other receivables and other financial assets – current.

(2) Objectives of financial risk management

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies, measures, and manages the aforementioned risks based on its policy and risk preferences.

The Company has established appropriate policies, procedures and internal controls for the aforementioned financial risk management. Before entering into significant transactions, due approval process by the Board of Directors must be carried out based on related protocols and internal control procedures. The Company shall comply with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises foreign currency risk, interest rate risk and other price risks.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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

A. Foreign currency risk

The Company's exposure to foreign currency risk relates primarily to its operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and net investments in foreign operations.

The Company has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as the said nature hedge and forward contracts do not qualify for hedge accounting criteria. Furthermore, as net investments in foreign operations are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the impact of possible changes in foreign exchange rates on the Company's profit and equity is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates of U.S. dollars and Chinese Yuan.

B. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to its variable interest rates for loans.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans.

C. Equity price risk

Equity securities of listed domestic companies held by the Company are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on equity portfolio are submitted to the Company's senior management on a regular basis. The Board of Directors shall review all equity investment decisions and approve where appropriate.

A 5% increase/decrease in the prices of listed companies' stocks classified as mandatorily at fair value through profit or loss (held for trading in 2017) could cause the profit or loss for the years ended December 31, 2018 and 2017 to increase/decrease by NT$1,021 thousand and NT$834 thousand, respectively.

D. Information on the pre-tax sensitivity analysis was as follows:

For the year ended December 31, 2018

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	－/＋ NT$17,892 thousand
	NTD/CNY appreciate/depreciate by 1%	－/＋ NT$ 67 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	＋/－ NT$ 395 thousand

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

For the year ended December 31, 2017

Key Risk	Variation	Sensitivity of Profit or Loss
Foreign currency risk	NTD/USD appreciate/depreciate by 1%	−/+ NT$10,809 thousand
	NTD/CNY appreciate/depreciate by 1%	−/+ NT$ 1,455 thousand
Interest rate risk	Market interest rate increase/decrease by 10 basis points	+/− NT$ 1,092 thousand

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and financing activities (primarily for bank deposits and various financial instruments).

Credit risk is managed by each business unit subject to the Company's credit risk policies, procedures and controls. Credit risk of all counterparties is assessed by considering their financial position, rating from credit rating agencies, past experience, current economic environment and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by using credit enhancement tools, such as prepayments or insurances, to reduce their credit risk.

Credit risk from balances with banks and other financial instruments is managed by the Company's finance division in accordance with the Company's policies. The counterparties that the Company transacts with are reputable financial institutions both at home and abroad, thus, no significant credit risk is expected.

(5) Liquidity risk management

The Company maintains its financial flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarized the maturity profile of the Company's financial liability contracts based on the earliest repayment dates and contractual undiscounted cash flows. The amount included the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates was extrapolated based on the yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2018					
Borrowings	$ 1,165,530	$ 295,000	$ −	$ −	$ 1,460,530
Payables	2,223,967	−	−	−	2,223,967
December 31, 2017					
Borrowings	$ 19,143	$ 119,091	$ −	$ −	$ 138,234
Payables	2,184,281	−	−	−	2,184,281

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

Derivative financial liabilities

	Less than 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
December 31, 2018					
Inflows	$ 508,174	$ –	$ –	$ –	$ 508,174
Outflows	586,902	–	–	–	586,902
Net	$ (78,728)	$ –	$ –	$ –	$ (78,728)
December 31, 2017					
Inflows	$ 566,937	$ –	$ –	$ –	$ 566,937
Outflows	576,387	–	–	–	576,387
Net	$ (9,450)	$ –	$ –	$ –	$ (9,450)

The derivative financial liabilities in the table above were expressed using undiscounted net cash flows.

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term Loan	Long-term Loan	Total Liabilities from Financing Activities
As of January 1, 2018	$ –	$ 138,182	$ 138,182
Cash flows	1,165,000	156,818	1,321,818
As of December 31, 2018	$1,165,000	$ 295,000	$1,460,000

Reconciliation of liabilities for the year ended December 31, 2017: Not applicable.

(7) Fair values of financial instruments

A. The methods and assumptions applied in determining the fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used by the Company in measuring or disclosing the fair values of financial assets and liabilities:

(a) The carrying amount of cash and cash equivalents, receivables, payables and other current liabilities approximate their fair value due to short maturity terms.

(b) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (e.g. listed equity securities, beneficiary certificates, bonds and futures).

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Company’s financial assets and liabilities measure at amortized cost approximates their fair value.

C. Information on the fair value hierarchy of financial instruments

Please refer to Note 12(8) for details.

(8) Derivative instruments

As of December 31, 2018 and 2017, the Company's derivative instruments that were not eligible for hedge accounting and were outstanding were listed as follows:

A. Forward foreign exchange contracts that were not eligible for hedge accounting and were outstanding as of the balance sheet date were listed as follows:

Currency	Contract Period	Contract Amount (in thousands)
December 31, 2018		
Sell CNY/Buy NTD	2018.11～2019.05	CNY 90,000/NT$ 396,597
Sell USD/Buy NTD	2018.12～2019.03	US$ 6,000/NT$ 183,577
December 31, 2017		
Sell CNY/Buy NTD	2017.09～2018.04	CNY 126,000/NT$ 566,937

For forward foreign exchange contracts, the main purpose is to hedge the foreign currency risk of net assets or liabilities denominated in foreign currencies. As there will be corresponding cash inflows or outflows upon expiration and the Company has sufficient operation funds, no significant cash flow risk is expected.

(9) Fair value hierarchy

A. Definition of fair value hierarchy

For assets and liabilities measured or disclosed in fair values, they are categorized in the level of the lowest level input that is significant to the entire measurement. Inputs of each level are as follows:

Level 1 inputs are quoted (unadjusted) prices in active markets for identical assets or liabilities at the measurement date

Level 2 inputs are inputs other than quoted market prices included within level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 inputs are unobservable inputs for the asset or liability

For assets and liabilities measured at a recurring basis, their categories shall be re-evaluated at the end of each reporting period to determine if there is any transfer between different levels of fair value hierarchy.

B. Hierarchy of fair value measurement

The Company does not have assets that are measured at fair value on a non-recurring basis. The fair value hierarchy of assets and liabilities measured at a recurring basis was disclosed as follows:

	Level 1	Level 2	Level 3	Total
December 31, 2018				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ －	$ 399	$ －	$ 399
Stocks	20,421	－	－	20,421

(Continued)

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 2,453	$ —	$ 2,453

	Level 1	Level 2	Level 3	Total
December 31, 2017				
Financial assets:				
Financial assets at fair value through profit or loss				
Forward foreign exchange contracts	$ —	$ 44	$ —	$ 44
Stocks	16,677	—	—	16,677
Financial liabilities:				
Financial liabilities at fair value through profit or loss				
Forward foreign exchange contracts	—	4,036	—	4,036

(Concluded)

For the years ended December 31, 2018 and 2017, there were no transfers between Level 1 and Level 2 fair value hierarchy.

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding significant financial assets and liabilities denominated in foreign currencies was listed below:

	December 31, 2018			December 31, 2017		
	Foreign Currencies (in thousands)	Exchange Rate	NTD	Foreign Currencies (in thousands)	Exchange Rate	NTD
Financial assets						
Monetary items						
USD	$ 96,508	30.7220	$ 2,964,920	$ 82,143	29.8300	$ 2,450,326
CNY	1,615	4.4730	7,226	32,640	4.5745	149,312
Financial liabilities						
Monetary items						
USD	$ 38,265	30.7220	$ 1,175,588	$ 45,871	29.8300	$ 1,368,332
JPY	176,541	0.2781	49,096	222,018	0.2648	58,790

The data above was disclosed based on the carrying amounts in foreign currencies (already translated to functional currencies).

As the Company transacts in various currencies, the exchange gain (loss) of monetary financial assets and liabilities cannot be disclosed by currencies of significant influence. For the years ended December 31, 2018 and 2017, the Company's foreign exchange gain (loss) amounted to NT$23,902 thousand and NT$(39,022) thousand, respectively.

(11) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Additional Disclosures

(1) Information on significant transactions and investees

A. Financing provided to others: Please refer to Table 1.

B. Endorsement/Guarantee provided to others: Please refer to Table 2.

C. Marketable securities held as of December 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Table 3.

D. Individual securities acquired or disposed of with accumulated amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

E. Acquisition of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

F. Disposal of individual real estate with amount of at least NT$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

G. Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018: Please refer to Table 4.

H. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018: Please refer to Table 5.

I. Direct or indirect significant influence or control over the investees for the year ended December 31, 2018 (excluding investments in China): Please refer to Table 6.

J. Derivative financial instruments transactions: Please refer to Note 12.

(2) Information on investments in Mainland China: Please refer to Table 7.

TABLE 1: FINANCING PROVIDED TO OTHERS (In Thousands of New Taiwan Dollars)

No. (Note 1)	Financing Company	Counterparty	Financial Statement Account (Note 2)	Whether A Related Party	Maximum Balance for the Period (Note 3)	Ending Balance (Note 10)	Amount Actually Drawn (Note 11)	Interest Rate Range	Nature of Financing (Note 4)	Transaction Amounts (Note 5)	Reason for Short-term Financing (Note 6)	Loss Allowance	Collateral		Financing Limits for Each Borrower	Financing Company's Total Financing Amount Limits	Note
													Item	Value			
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Other receivables - related parties	Y	$ 433,426	$ 430,108	$ 276,498	1.70%~4.00%	2	—	Operating capital	—	—	—	$ 1,452,448	$ 2,904,895	(Note 7)
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Other receivables - related parties	Y	1,229,040	921,660	721,744	1.70%~4.00%	2	—	Operating capital	—	—	—	1,452,448	2,904,895	(Note 7)

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: Receivables from affiliates and related parties, shareholder transactions, prepayments and temporary payments, etc. are required to be disclosed in this field if they are financings provided to others.

Note 3: The maximum balance of financing provided to others for the year ended December 31, 2018.

Note 4: Nature of Financing are coded as follows:
(1) Business transaction is coded "1".
(2) Short-term financing is coded "2".

Note 5: If the nature of financing is business transaction, the amount of transaction shall be disclosed. The amount of transaction refers to the business transaction amount of the most recent year between the financing company and the borrower.

Note 6: With respect to short-term financing, the reasons of financing and the purpose of use by the counterparty shall be specified, such as loan repayment, equipment acquisition or operating capital.

Note 7: The Company's "Procedures for Lending Funds to Other Parties" stipulates that the amount of financing provided shall not exceed 40% of the Company's net worth in the most recent financial statements. The amount of financing provided to any single entity shall not exceed 20% of the Company's net worth in the most recent financial statements.

Note 8 Total amount of financing to firms or companies having business relationship with the Company shall not exceed 20% of the Company's net worth. The financing amount to an individual party is limited to the transaction amount between both parties. The transaction amount means the purchasing or sales amount between the parties, whichever is higher, and shall not exceed 10% of the Company's net worth. However, the lending amount to a single enterprise whose voting rights are 100% held, either directly or indirectly, by the Company shall not exceed 20% of the Company's net worth.

Note 9: For subsidiaries that the Company holds, either directly and indirectly, 100% of the voting rights, the financing provided to any single entity shall not exceed 20% of the financing company’s net worth in the most recent financial statements. Total financing shall not exceed 40% of the financing company’s net worth in the most recent financial statements.

Note 10: If public companies, pursuant to Paragraph 1, Article 14 of Regulations Governing Loaning of Funds and Making of Endorsements / Guarantees by Public Companies, resolve each individual lending at the board meetings, the amounts resolved before drawing shall be the publicly-announced balance to disclose the risk they assume; provided however, if any repayment is made subsequently, the outstanding balance after such repayment shall be disclosed to reflect the risk adjusted. If public companies, pursuant to Paragraph 2, Article 14 of the same Regulations, authorize the chairperson by board resolution, within a certain monetary limit and a period not to exceed one year, to give loans in instalments or to make a revolving credit line available, the amount resolved shall be the publicly-announced balance. Although repayment may be made subsequently, as drawings are likely to happen again, the amount of financing resolved by the board shall be recorded as the publicly-announced balance.

Note 11: This is the ending balance after evaluation.

TABLE 2: ENDORSEMENT/GUARANTEE PROVIDED TO OTHERS (In Thousands of New Taiwan Dollars)

No (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period (Note 4)	Ending Balance (Note 5)	Amount Actually Drawn (Note 6)	Amount of Endorsement/ Guarantee Secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement Provided by Parent Company to Subsidiaries (Note 7)	Endorsement Provided by Subsidiaries to Parent Company (Note 7)	Endorsement Provided to Subsidiaries in China (Note 7)
		Name	Relationship (Note 2)										
0	Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	2	$ 3,631,119	$ 123,836	$ 122,888	$ –	$ –	1.69%	$ 3,631,119	Y	N	N
0	Taiflex Scientific Co., Ltd.	Rudong Fuzhan Scientific Co., Ltd.	2	3,631,119	139,316	138,249	94,023	–	1.90%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	2	3,631,119	1,320,872	1,214,801	57,165	–	16.73%		Y	N	Y
0	Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	2	3,631,119	1,088,519	441,410	61,444	–	6.08%		Y	N	Y

Note 1: Companies are coded as follows:
(1) Taiflex Scientific Co., Ltd. is coded "0".
(2) The investees are coded from "1" in the order presented in the table above.

Note 2: The relationships between endorsement/guarantee providers and guaranteed parties are categorized into the following seven types. Please specify the type.
(1) A company that has business relationships with Taiflex.
(2) A company in which Taiflex directly or indirectly holds over 50% of the voting rights.
(3) A company that directly or indirectly holds over 50% of Taiflex’s voting rights.
(4) Endorsements/guarantees between companies in which Taiflex directly or indirectly holds over 90% of the voting rights.
(5) Mutual endorsements/guarantees between companies in the same industry or between joint builders which are provided in accordance with contractual terms for construction projects.
(6) Endorsements/guarantees provided by each shareholder for their jointly invested company in proportion to their shareholding percentages.
(7) Joint and several securities between companies in the same industry for performance guarantees of pre-construction homes under the Consumer Protection Act.

Note 3: The overall amount of guarantees/endorsements shall not exceed 50% of the Company's net worth in the most recent financial statements. The amount of guarantees/endorsements provided to a single entity shall not exceed 20% of the net worth in the most recent financial statements. However, the restriction does not apply to guarantees/endorsements to companies whose voting rights are 100% held, either directly or indirectly, by the Company.

Note 4: The maximum endorsement/guarantee balance for the year ended December 31, 2018.

Note 5: This refers amounts approved by the board of directors. However, for matters delegated by the board to the chairperson in accordance with Subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, this would be the amounts approved by the chairperson.

Note 6: This is the ending balance after evaluation.

Note 7: Fill in “Y” for endorsements/guarantees provided by listed parent companies to subsidiaries and vice versa, and for ones provided to subsidiaries in Mainland China.

TABLE 3: MARKETABLE SECURITIES HELD AS OF DECEMBER 31, 2018 (EXCLUDING INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES)

(In Thousands of New Taiwan Dollars)

Name of Held Company	Type of Marketable Securities (Note 1)	Name of Marketable Securities (Note 1)	Relationship with the Company (Note 2)	Financial Statement Account	December 31, 2018				Note
					Shares (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value	
Taiflex Scientific Co., Ltd.	Non-listed (OTC) stocks	Exploit Technology Co., Ltd.	–	Financial assets at fair value through other comprehensive income - non-current	25	–	0.30%	–	–
	Non-listed (OTC) stocks	Kyoritsu Optronics Co., Ltd.	–	Financial assets at fair value through other comprehensive income - non-current	741	–	18.10%	–	–
	Listed stocks	Zhen Ding Technology Holding Limited	–	Financial assets at fair value through profit or loss - current	255	$ 20,421	0.03%	$ 20,421	–

Note 1: The marketable securities stated in this table shall refer to stocks, bonds, beneficiary certificates and securities derived from the said items within the scope of IFRS 9 "Financial Instruments".

Note 2: Not required if the issuer of the marketable securities is not a related party.

Note 3: If measured at fair value, please fill in the carrying amount after valuation adjustment of fair value and net of accumulated impairment. If not measured at fair value, please fill in the original cost or the carrying value of amortized cost, net of accumulated impairment.

TABLE 4: RELATED PARTY TRANSACTIONS WITH PURCHASE OR SALES AMOUNT OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note
			Sales (Purchases)	Amount	Percentage to Total Sales (Purchases)	Credit/ Payment Terms	Unit Price	Credit/ Payment Terms	Ending Balance	Percentage to Total Notes/ Accounts Receivable (Payable)	
Taiflex Scientific Co., Ltd.	Taiflex Scientific (Kunshan) Co., Ltd.	Holds 100% of the third-tier subsidiary	Purchases	$ 109,900	2.15%	150 days from end of month	—	—	$ (24,716)	(1.50%)	—
	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	Sales	2,096,373	27.46%	150 days from end of month	—	—	1,318,944	38.44%	—
Taiflex Scientific (Kunshan) Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Sales	109,900	7.79%	150 days from end of month	—	—	24,716	2.43%	—
Shenzhen Taiflex Electronic Co., Ltd.	Taiflex Scientific Co., Ltd.	The company's ultimate parent company	Purchases	2,096,373	68.63%	150 days from end of month	—	—	(1,318,944)	(85.12%)	—

Note 1: The sales prices and collection terms to related parties are not significantly different from those of sales to non-related parties.

TABLE 5: RECEIVABLES FROM RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationships	Ending Balance	Turnover Ratio (times)	Overdue		Amounts Received in Subsequent Periods	Lost Allowance	Note
					Amount	Action Taken			
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	$ 1,318,944	1.51	—	—	$ 178,630	—	—
Taiflex Scientific Co., Ltd.	Shenzhen Taiflex Electronic Co., Ltd.	Holds 100% of the third-tier subsidiary	211,419	(Note 1)	—	—	32,428	—	—

Note 1: Those receivables from related parties are recognized as other receivables; thus, turnover ratio analysis does not apply.

TABLE 6: INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE OR CONTROL DIRECTLY OR INDIRECTLY (EXCLUDING INVESTEES IN MAINLAND CHINA)

(In Thousands of New Taiwan Dollars)

Investor	Investee	Business Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of Investee	Share of Profit/Loss	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	Shareholding Percentage	Carrying Value			
Taiflex Scientific Co., Ltd.	Taistar Co., Ltd.	Belize	Investment holding	$ 704,536	$ 822,194	21,825	100.00%	$ 1,133,837	$ (314,924)	$ (313,497)	(Note 1)
Taiflex Scientific Co., Ltd.	Leadmax Limited	Samoa	Trading of electronic materials	337	337	10	100.00%	10,990	(5,114)	(5,114)	−
Taiflex Scientific Co., Ltd.	Koatech Technology Corporation	Taiwan	Manufacturing and selling of electronic materials and components	294,102	294,102	13,700	53.86%	233,440	15,053	2,669	(Note 2)
Taiflex Scientific Co., Ltd.	Innovision FlexTech Corp.	Taiwan	Manufacturing and selling of electronic materials	102,894	102,894	3,611	15.07%	51,470	72,099	19,666	−
Taiflex Scientific Co., Ltd.	TFS Co., Ltd.	Belize	Investment holding	478,797	478,797	15,520	100.00%	469,677	50,426	50,426	−
Taiflex Scientific Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	525,733	−	17,500	53.01%	564,429	60,903	10,408	−
Taiflex Scientific Co., Ltd.	Taiflex Scientific Japan Co., Ltd.	Japan	Trading and technical support of electronic materials	16,260	16,260	6	100.00%	17,696	331	331	−
Taiflex Scientific Co., Ltd.	Taiflex USA Corporation	U.S.A.	Technical support and marketing of electronic materials	8,820	−	1	100.00%	8,861	(348)	(348)	−
TFS Co., Ltd.	Richstar Co., Ltd.	Samoa	Investment holding	478,563	478,563	15,510	46.99%	500,245	60,903	50,495	−
Taistar Co., Ltd.	TSC International Ltd.	Cayman Islands	Investment holding	683,946	801,604	21,170	100.00%	1,111,768	(295,253)	(295,253)	−
Koatech Technology Corporation	KTC Global Co., Ltd.	Samoa	Investment holding	28,649	28,649	960	100.00%	14,776	(1,584)	(1,584)	−
KTC Global Co., Ltd	KTC PanAsia Co., Ltd.	Samoa	Investment holding	28,500	28,500	955	100.00%	15,369	(2,127)	(2,127)	−

Note 1: Including unrealized gain/loss between affiliates.

Note 2: Including amortization of property, plant and equipment.

TABLE 7: INFORMATION ON INVESTMENTS IN MAINLAND CHINA

(In Thousands of New Taiwan Dollars)

Investee	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Profit/ Loss of Investee	Percentage of Ownership (Direct or Indirect Investment)	Share of Profit/Loss	Carrying Amount as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Kunshan Taiflex Electronic Material Co., Ltd.	Trading of coating materials for high polymer film and copper foil	— (Note 3)	2	$ 32,536	—	$ 32,536	—	—	—	$ 1,294	—	$ 196,579
Taiflex Scientific (Kunshan) Co., Ltd.	Manufacturing and selling of coating materials for high polymer film and copper foil	$767,141 (US$24,000,000)	2	767,141	—	—	$ 767,141	$(332,082)	100.00%	(332,082)	$ 1,111,666	—
Kunshan Koatech Technology Corporation	A wholesaler and a commission agent of electronic materials and components	$28,351 (US$950,000)	2	28,351	—	—	28,351	(2,127)	53.86%	(1,145)	8,270	—
Shenzhen Taiflex Electronic Co., Ltd.	Trading of coating materials for high polymer film and copper foil	$479,160 (US$15,500,000)	2	479,160	—	—	479,160	49,564	100.00%	49,564	542,127	—
Rudong Fuzhan Scientific Co., Ltd.	Manufacturing and selling of electronic materials	$525,733 (US$17,500,000)	2	—	$525,733	—	525,733	11,405	100.00%	11,405	522,412	—

Accumulated Outflow of Investment from Taiwan to Mainland China as of December 31, 2018	Investment Amounts Authorized by the Investment Commission, MOEA	Upper Limit on Investment
$1,800,385	$2,367,190	$4,357,343

Note 1: The methods for investment in Mainland China are categorized into the following three types. Please specify the type.

(1) Direct investment in Mainland China.

(2) Investment in Mainland China through companies in the third area.

(3) Others.

Note 2: Significant transactions with the investees in China directly or indirectly through the third area and the relevant prices, payment terms and unrealized gains and losses:

(1) Purchase and ending balance of related payables and their weightings: see Table 4.

(2) Sales and ending balance of related receivables and their weightings: see Tables 4 and 5.

(3) The transaction amount and gain or loss arising from property transactions: N/A.

(4) Ending balance of endorsements/guarantees or collateral provided and the purposes: see Table 2.

(5) Maximum balance, ending balance, interest rate range and total interest of current period from financing provided to others: see Table 1.

(6) Transactions that have significant impact on profit or loss of the current period or the financial position, such as services rendered or received: N/A.

Note 3: The liquidation of Kunshan Taiflex Electronic Material Co., Ltd. was completed by August, 2018.

TAIFLEX SCIENTIFIC COMPANY LIMITED

1. STATEMENT OF CASH AND CASH EQUIVALENTS

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Petty cash		$ 150	
Cash on hand		183	
Subtotal		333	
Bank deposits:			
Checking & demand deposits in NTD		99,100	Exchange rate:
Demand deposits - USD	US$ 15,141 thousand	465,160	30.722
Demand deposits – JPY	JPY 47,913 thousand	13,325	0.2781
Demand deposits – HKD	HK$ 7 thousand	26	3.924
Demand deposits – CNY	CNY 1,610 thousand	7,203	4.473
Time deposits - NTD		49,800	
Time deposits - USD	US$ 14,000 thousand	430,108	
Subtotal		1,064,722	
Total		$ 1,065,055	

TAIFLEX SCIENTIFIC COMPANY LIMITED

2. STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

December 31, 2018

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Listed stocks	Zhen Ding Technology Holding Limited	254,625	80.20	$ 20,421	
Forward foreign exchange contract	Notional amount of US$ 5,000 thousand			326	
Forward foreign exchange contract	Notional amount of CNY 12,000 thousand			73	
				$ 20,820	

TAIFLEX SCIENTIFIC COMPANY LIMITED
3. STATEMENT OF NOTES RECEIVABLE, NET
December 31, 2018

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company A		$ 2,639	
Company B		648	
Company C		644	
Company D		559	
Others (Note)		336	
Total		4,826	
Less: Loss allowance		—	
Net		$ 4,826	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
4. STATEMENT OF ACCOUNTS RECEIVABLE, NET
December 31, 2018

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Company E		$ 342,890	
Company F		277,947	
Company G		237,188	
Company H		207,137	
Company I		157,658	
Company J		151,681	
Company K		113,541	
Company L		107,954	
Others (Note)		481,751	
Total		2,077,747	
Less: Loss allowance		(37,805)	
Net		$ 2,039,942	

Note: Customers with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

5. STATEMENT OF ACCOUNTS RECEIVABLE – RELATED PARTIES

December 31, 2018

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		$ 1,318,944	
Taiflex Scientific (Kunshan) Co., Ltd.		29,140	
Koatech Technology Corporation		204	
Total		1,348,288	
Less: Loss allowance		—	
Net		$ 1,348,288	

TAIFLEX SCIENTIFIC COMPANY LIMITED

6. STATEMENT OF OTHER RECEIVABLES

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other receivables	Receivables from sales of scraps	$ 2,815	
Income tax refund receivable	Business tax refund receivable	38,632	
Earned revenue receivable	Estimated interest income from time deposits	1,782	
Total		$ 43,229	

TAIFLEX SCIENTIFIC COMPANY LIMITED

7. STATEMENT OF OTHER RECEIVABLES – RELATED PARTIES

December 31, 2018

In Thousands of New Taiwan Dollars

Customer	Description	Amount	Note
Taiflex Scientific (Kunshan) Co., Ltd.	Items purchased on behalf of others, financing and interests	$ 738,422	
Shenzhen Taiflex Electronic Co., Ltd.	Items purchased on behalf of others, financing and interests	490,944	
Total		$ 1,229,366	

TAIFLEX SCIENTIFIC COMPANY LIMITED
8. STATEMENT OF INVENTORIES
December 31, 2018

In Thousands of New Taiwan Dollars

Item	Cost	Net Realizable Value	Note
Raw materials	$ 570,202	$ 501,897	
Inventories in transit	34,238	34,238	
Supplies	6,094	6,094	
Work in process	46,265	46,265	
Finished goods	276,763	258,606	
Merchandise	4,650	4,650	
Total	938,212		
Less: allowance for inventory valuation losses	(86,462)		
Net	$ 851,750		

TAIFLEX SCIENTIFIC COMPANY LIMITED
9. STATEMENT OF PREPAYMENTS
December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Prepaid expenses		$ 17,995	
Other prepayments		8,592	
Others (Note)		1,000	
Total		$ 27,587	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
10. STATEMENT OF OTHER CURRENT ASSETS
December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Other financial assets		$ 20,413	
Other current assets – other		517	
Temporary payments		1,130	
Payment on behalf of others		1,713	
Total		$ 23,773	

TAIFLEX SCIENTIFIC COMPANY LIMITED

11. STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD

For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Investee	Beginning Balance		Increase		Decrease		Repatriation of Profits	Share of Profits/Losses of Investee	Exchange Differences Arising on Translation of Foreign Operations	Ending Balance			Market Value or Net Asset Value	Valuation Basis	Collateral/ Pledge	Note
	Shares	Amount	Shares	Amount	Shares	Amount				Shares	Percentage of Ownership	Amount				
Taistar Co., Ltd.	25,665,000	$ 1,763,948	–	–	3,840,000	$ 120,603	$ (135,632)	$ (313,497)	$ (60,379)	21,825,000	100.00%	$ 1,133,837	$ 1,132,324	Equity method	None	(Note 1)
Leadmax Limited	10,000	15,730	–	–	–	–	–	(5,114)	374	10,000	100.00%	10,990	10,990	Equity method	None	
Innovision FlexTech Corp.	3,610,722	31,518	–	$ 286	–	–	–	19,666	–	3,610,722	15.07%	51,470	51,470	Equity method	None	(Note 2)
Koatech Technology Corp.	27,400,252	230,964	–	–	13,700,126	–	–	2,669	(193)	13,700,126	53.86%	233,440	139,222	Equity method	None	(Note 3)
TFS Co., Ltd.	15,520,000	486,900	–	–	–	58,776	–	50,426	(8,873)	15,520,000	100.00%	469,677	500,497	Equity method	None	(Note 4)
Richstar Co., Ltd.	–	–	17,500,000	572,029	–	–	–	10,408	(18,008)	17,500,000	53.01%	564,429	564,429	Equity method	None	(Note 5)
Taiflex Scientific Japan Co., Ltd.	6,000	16,529	–	–	–	–	–	331	836	6,000	100.00%	17,696	17,696	Equity method	None	
Taiflex USA Corporation	–	–	1,000	8,820	–	–	–	(348)	389	1,000	100.00%	8,861	8,861	Equity method	None	(Note 6)
Subtotal		$ 2,545,589		$ 581,135		$ 179,379	$ (135,632)	$ (235,459)	$ (85,854)			$ 2,490,400				
Less: Accumulated impairment		(31,518)		–		31,518	–	–	–			–				
Net		$ 2,514,071		$ 581,135		$ 210,897	$ (135,632)	$ (235,459)	$ (85,854)			$ 2,490,400				

(Note 1): The decrease was a result of a decrease in investment of NT$117,658 thousand and downstream transactions between subsidiaries of NT$2,945 thousand.

(Note 2): The increase was a result of downstream transactions between subsidiaries of NT$95 thousand, adjustments for non-proportional share subscription of NT$134 thousand, and changes in ownership interests in subsidiaries of NT$57 thousand.

(Note 3): The decrease in shares was a result of investees' capital reduction for deficit compensation.

(Note 4): The decrease was a result of downstream transactions between subsidiaries of NT$12,480 thousand and adjustments for non-proportional share subscription of NT$46,296 thousand.

(Note 5): The increase was a result of an increase in investment of NT$525,733 thousand and adjustments for non-proportional share subscription of NT$46,296 thousand.

(Note 6): The increase was a result of an increase in investment of NT$8,820 thousand.

TAIFLEX SCIENTIFIC COMPANY LIMITED

12. STATEMENT OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Collateral/ Pledge	Note
		Additions	Disposals	Reclassification			
Original cost							
Buildings	$ 724,994	$ 5,181	$ (213)	$ 257,927	$ 987,889	Part of property, plant and equipment, such as buildings, are pledged as collateral.	
Machinery and equipment	2,039,678	55,411	(17,752)	124,453	2,201,790		
Hydropower equipment	259,177	5,309	–	81,255	345,741		
Testing equipment	228,682	7,360	(1,890)	37,367	271,519		
Miscellaneous equipment	153,594	5,412	(4,831)	21,654	175,829		
Subtotal	3,406,125	78,673	(24,686)	522,656	3,982,768		
Construction in progress and equipment awaiting inspection	538,614	211,625	-	(523,052)	227,187		
Total cost	$ 3,944,739	$ 290,298	$ (24,686)	$ (396)	$ 4,209,955		

TAIFLEX SCIENTIFIC COMPANY LIMITED

13. STATEMENT OF CHANGES IN ACCUMULATED DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Changes			Ending Balance	Note
		Increase	Decrease	Reclassification		
Buildings	$ 175,446	$ 36,973	$ (213)	$ –	$ 212,206	
Machinery and equipment	1,332,160	123,120	(17,752)	–	1,437,528	
Hydropower equipment	197,575	11,482	–	–	209,057	
Testing equipment	107,608	22,636	(1,890)	–	128,354	
Miscellaneous equipment	92,766	12,590	(4,831)	–	100,525	
Total accumulated depreciation	$ 1,905,555	$ 206,801	$ (24,686)	$ –	$ 2,087,670	

TAIFLEX SCIENTIFIC COMPANY LIMITED
14. STATEMENT OF CHANGES IN INTANGIBLE ASSETS
For the Year Ended December 31, 2018
In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Trademarks	$ 672	$ —	$ —	$ 672	
Patents	14,881	775	—	15,656	
Software cost	107,518	9,002	396	116,916	
Total	$ 123,071	$ 9,777	$ 396	$ 133,244	

TAIFLEX SCIENTIFIC COMPANY LIMITED
15. STATEMENT OF CHANGES IN ACCUMULATED AMORTIZATION OF INTANGIBLE ASSETS
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Beginning Balance	Additions	Reclassification	Ending Balance	Note
Trademarks	$ 257	$ 61	$ —	$ 318	
Patents	7,102	1,706	—	8,808	
Software cost	70,340	14,636	—	84,976	
Total	$ 77,699	$ 16,403	$ —	$ 94,102	

TAIFLEX SCIENTIFIC COMPANY LIMITED

16. STATEMENT OF DEFERRED INCOME TAX ASSETS

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Deferred income tax assets		$ 100,000	

TAIFLEX SCIENTIFIC COMPANY LIMITED

17. STATEMENT OF OTHER NON-CURRENT ASSETS

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Refundable deposits	1. Security deposit for car leases	$ 4,158	
	2. Security deposit for leases	531	
	3. Construction bonds	1,700	
	4. Others (Note)	417	
		$ 6,806	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
18. STATEMENT OF SHORT-TERM LOANS
December 31, 2018

In Thousands of New Taiwan Dollars

Bank	Description	Loan Amount	Contract Term	Interest Rate	Note
Bank of Taiwan	Short-term working capital	$ 50,000	2018.10.17 ~ 2019.01.15	0.74% ~ 1.04%	
Bank of Taiwan	Short-term working capital	50,000	2018.11.16 ~ 2019.02.14	0.74% ~ 1.04%	
Bank of Taiwan	Short-term working capital	50,000	2018.11.26 ~ 2019.02.22	0.74% ~ 1.04%	
Bank of Taiwan	Short-term working capital	50,000	2018.12.06 ~ 2019.03.06	0.74% ~ 1.04%	
Citibank Taiwan	Short-term working capital	295,000	2018.12.24 ~ 2019.01.07	0.74% ~ 1.04%	
Taipei Fubon Bank	Short-term working capital	100,000	2018.12.27 ~ 2019.01.26	0.74% ~ 1.04%	
HSBC Bank (Taiwan)	Short-term working capital	90,000	2018.11.05 ~ 2019.02.11	0.74% ~ 1.04%	
HSBC Bank (Taiwan)	Short-term working capital	50,000	2018.11.26 ~ 2019.02.22	0.74% ~ 1.04%	
HSBC Bank (Taiwan)	Short-term working capital	70,000	2018.12.06 ~ 2019.03.06	0.74% ~ 1.04%	
HSBC Bank (Taiwan)	Short-term working capital	30,000	2018.12.25 ~ 2019.04.03	0.74% ~ 1.04%	
Sumitomo Mitsui Banking Corporation	Short-term working capital	100,000	2018.10.26 ~ 2019.01.25	0.74% ~ 1.04%	
Sumitomo Mitsui Banking Corporation	Short-term working capital	200,000	2018.12.28 ~ 2019.01.04	0.74% ~ 1.04%	
E.Sun Bank	Short-term working capital	30,000	2018.12.26 ~ 2019.01.25	0.74% ~ 1.04%	
Total		$ 1,165,000			

TAIFLEX SCIENTIFIC COMPANY LIMITED
19. STATEMENT OF FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT
December 31, 2018

In Thousands of New Taiwan Dollars

Name	Description	Number of Stocks	Fair Value		Note
			Unit Price	Total	
Forward foreign exchange contract	Notional amount of CNY 78,000 thousand			$ 2,407	
	Notional amount of US$1,000 thousand			46	
				$ 2,453	

TAIFLEX SCIENTIFIC COMPANY LIMITED
20. STATEMENT OF NOTES PAYABLES
December 31, 2018

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company M		$ 65,419	

TAIFLEX SCIENTIFIC COMPANY LIMITED
21. STATEMENT OF ACCOUNTS PAYABLES
December 31, 2018

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Company N		$ 316,830	
Company O		614,047	
Company M		194,673	
Company P		83,297	
Company Q		101,310	
Others (Note)		243,874	
Total		$ 1,554,031	

Note: Vendors with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
22. STATEMENT OF ACCOUNTS PAYABLE – RELATED PARTIES
December 31, 2018

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Taiflex Scientific (Kunshan) Co., Ltd.		$ 24,716	
Koatech Technology Corp.		2,155	
Shenzhen Taiflex Electronic Co., Ltd.		63	
Total		$ 26,934	

TAIFLEX SCIENTIFIC COMPANY LIMITED
23. STATEMENT OF OTHER PAYABLES
December 31, 2018

In Thousands of New Taiwan Dollars

Item	Description	Amount	Note
Bonus payables	Year-end and performance bonuses	$ 165,835	
Employee compensation payables		74,474	
Payables on equipment		62,667	
Others (Note)		242,846	
Total		$ 545,822	

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED
24. STATEMENT OF OTHER PAYABLES – RELATED PARTIES
December 31, 2018

In Thousands of New Taiwan Dollars

Vendor	Description	Amount	Note
Shenzhen Taiflex Electronic Co., Ltd.		$ 13,664	
Taiflex Scientific Japan Co., Ltd.		9,775	
Taiflex USA Corporation		5,007	
Koatech Technology Corporation		2,658	
Innatech Co., Ltd.		648	
Taiflex Scientific (Kunshan) Co., Ltd.		9	
Total		$ 31,761	

TAIFLEX SCIENTIFIC COMPANY LIMITED
25. STATEMENT OF LONG-TERM LOANS
December 31, 2018

In Thousands of New Taiwan Dollars

Bank	Type	Amount	Current Portion	Unamortized Syndicated Loan Fee	Net	Contract Term	Interest Rate	Collateral	Repayment
Mizuho Bank	Medium to long-term credit loan	$ 60,000	$ —	$ —	$ 60,000	2018.03.01-2020.03.01	0.88%	None	Principal: Refinancing upon maturity; Interest: To be paid on the 6th of each month. (corresponding date of each subsequent month after the drawdown date)
Mizuho Bank	Medium to long-term credit loan	85,000	—	—	85,000	2018.03.01-2020.03.01	0.88%	None	Principal: Refinancing upon maturity; Interest: To be paid on the 9th of each month. (corresponding date of each subsequent month after the drawdown date)
Mizuho Bank	Medium to long-term credit loan	150,000	—	—	150,000	2018.03.01-2020.03.01	0.88%	None	Principal: Refinancing upon maturity; Interest: To be paid on the 8th of each month. (corresponding date of each subsequent month after the drawdown date)
Total		$ 295,000	$ —	$ —	$ 295,000				

TAIFLEX SCIENTIFIC COMPANY LIMITED

26. STATEMENT OF OTHER CURRENT LIABILITIES

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Amount	Note
Temporary receipts	$ 3,376	
Receipts under custody	1,723	
Total	$ 5,099	

TAIFLEX SCIENTIFIC COMPANY LIMITED

27. STATEMENT OF DEFERRED INCOME TAX LIABILITIES

December 31, 2018

In Thousands of New Taiwan Dollars

Item	Amount	Note
Deferred income tax liabilities	$ 127,750	

TAIFLEX SCIENTIFIC COMPANY LIMITED

28. STATEMENT OF NET DEFINED BENEFIT LIABILITIES – NON-CURRENT

For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Amount	Note
Beginning balance	$ 184,124	
Expenses incurred	12,591	
Contribution	(2,804)	
Actuarial gain (loss)	(55,488)	
Ending balance	$ 138,423	

TAIFLEX SCIENTIFIC COMPANY LIMITED
29. STATEMENT OF NET REVENUE
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Quantity	Amount
Electronic materials	34,654,518	$ 7,509,456
PV	2,160,272	189,647
Others	92,881	8,382
Total		7,707,485
Less: Sales returns and discounts and allowances		(73,865)
Net		$ 7,633,620

TAIFLEX SCIENTIFIC COMPANY LIMITED
30. STATEMENT OF COST OF REVENUE
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item			Amount	
Manufacturing:				
	Raw materials, beginning balance		$	414,986
	Add:	Raw materials purchased		4,956,089
	Less:	Raw materials, ending balance		(604,440)
		Others		(220,284)
		Sale of raw materials		(36,612)
		Scrapped		(3,925)
	Raw materials used			4,505,814
	Direct labor			302,089
	Manufacturing overhead			1,020,969
	Total manufacturing cost			5,828,872
	Add:	Work in process, beginning balance		19,548
	Less:	Work in process, ending balance		(46,265)
	Cost of finished goods			5,802,155
	Add:	Finished goods, beginning balance		361,882
		Purchases		420
	Less:	Finished goods, ending balance		(276,763)
		Others		(66,576)
		Scrapped		(4,699)
	Total cost of production and marketing			5,816,419
Trading:				
	Merchandise, beginning balance			3,992
	Add:	Purchases		59,541
	Less:	Merchandise, ending balance		(4,650)
		Others		(47)
	Cost of goods sold			5,875,255
	Others			59,999
	Total cost of revenue		$	5,935,254

TAIFLEX SCIENTIFIC COMPANY LIMITED
31. STATEMENT OF OPERATING EXPENSES
For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Sales and Marketing Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll	$ 40,952	$ 147,851	$ 91,732	$ 280,535
Commissioned research	—	—	72,649	72,649
Export	136,689	—	—	136,689
Others (Note)	92,568	132,166	80,199	304,933
Total	$ 270,209	$ 280,017	$ 244,580	$ 794,806

Note: Items with balances less than 5% of this account are shown in aggregate.

TAIFLEX SCIENTIFIC COMPANY LIMITED

32. STATEMENT OF NON-OPERATING INCOME AND EXPENSES

For the Year Ended December 31, 2018

In Thousands of New Taiwan Dollars

Item	Amount
Interest income	$ 29,449
Dividend income	840
Rent income	412
Miscellaneous income	40,155
Total other income	70,856
Foreign exchange gain (loss), net	23,902
Net gain (loss) of financial assets and liabilities at fair value through profit or loss	(12,328)
Gain on reversal of impairment loss	31,518
Other losses	(1,200)
Total other gains and losses	41,892
Finance costs	(17,555)
Share of profit or loss of subsidiaries and associates under the equity method	(235,459)
Total non-operating income and expenses	$ (140,266)