Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Financial Statements and Independent Auditors' Report

2017 and 2018

(stock code 3265)

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Winstek Semiconductor Co., Ltd.

Consolidated Financial Statements for Affiliated Companies

In year of 2018 (from January 1, 2018 to December 31, 2018), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

As hereby declared

Company Name: Winstek Semiconductor Co., Ltd.

Person in Charge: Huang Hsing-Yang

March 6, 2019

Independent Auditors' Report

(108) TWSE Review No. 18003063

Winstek Semiconductor Co., Ltd. Company seal:

Audit Opinion

The consolidated balance sheet on December 31, 2018, consolidated composite income sheet, consolidated statement of changes in equity, combined statement of cash flows from January 1, 2018 to December 31, 2018, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Winstek Semiconductor Co., Ltd. and Subsidiaries (hereinafter referred to as "Winstek Group"), have been audited by CPA.

In our opinion, all the material items prepared in these consolidated financial statements are in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission (FSC). Therefore, they are able to properly express the consolidated financial status of Winstek Group as of December 31, 2018, and consolidated financial performance and consolidated cash flows from January 1, 2018 to December 31, 2018.

Basis of Audit Opinion

We have performed the auditing work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Below, our CPAs will further explain the responsibilities auditors shall execute during the audit of consolidated financial statements under the above principles. The personnel of our accounting firm who are subject to independent regulations have acted in accordance with the ROC CPA Code of Professional Ethics to remain highly neutral from Winstek Group, while fulfilling other duties set forth in the said Code. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of the auditor's opinion.

Key Audit Matters

The key audit matters refer to those most material items when auditing the combined financial statements of the year 2018 of Winstek Group, based on the professional judgment of the CPA. The said matters have been expressed when we audited the consolidated financial statements and when we established the auditor's opinion. We will not express any personal opinion on any of the matters.

The key audit matters of the consolidated financial statements of the year 2018 of Winstek Group are as follows:

The accuracy of revenue recognition

Matter description

Please refer to the related accounting policies of revenue recognition on IV. (XXIV) of notes to the consolidated financial statements. Winstek Group mainly engages in research and development (R&D) and testing of various integrated circuits, and services of turnkey wafer bumping and wafer level packaging. The corresponding revenue of such services gradually meet performance obligations and is recognized into income, by the control of services over time. Winstek Group measures the completion degree of performance obligations based on the input cost to fulfill the obligations for the current period, in relation to the total expected cost input to meet the overall performance obligations. In view of the uncertainty in the total expected cost input estimation, which will affect Winstek Group's accuracy in recognizing revenue by measuring completion degree of performance obligations based on unfinished work orders. Therefore, we considered the accuracy of revenue recognition as the most material matters.

Corresponding auditing procedures

We performed the following audit procedures in respect of the above key audit matters:

1. Understand and assess the accounting policies for revenue recognition, and test the effectiveness of the design and implementation of relevant internal controls;

2. Check the supporting documents and calculation to measure the completion degree of performance obligation;

3. Verify the accuracy of revenue recognition by measurement of completion degree of performance obligation.

Other Matters - Audit Scope

The consolidated financial statements of Winstek Group of the year 2017 had been audited by another CPA, who has issued the unqualified combined audit report on March 6, 2018.

Other matters- Individual financial report

Winstek Semiconductor Co., Ltd. has prepared the individual financial report of the year 2018, and the CPA has issued the unqualified audit report with other matters for future reference.

The responsibility of the management and governance units for the consolidated financial statements

The responsibility of the management was to establish financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IFRS, IAS, interpretations and interpretation announcements recognized by the FSC, to properly indicate the company's financial status and also to maintain necessary internal control with regard to establishment of consolidated financial statements to ensure such financial statements did not contain any false contents as a result of fraudulence or mistakes.

When preparing the consolidated financial statements, the management is also responsible for the assessment of Winstek Group's ability on going concern, the disclosure of relevant matters, the adoption of the accounting base for going concern, unless the management intends to proceed with the liquidation to Winstek Group or to discontinue its operations, or has no other practical alternative solutions except for liquidation or closure.

The governing body of Winstek Group (including the Audit Committee) had the responsibility to supervise the financial reporting process.

The responsibility of CPAs when auditing Consolidated Financial Statements

Our objective when auditing the consolidated financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. Reasonably reliable means highly reliable. However, auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee detection of significant false contents in parent company only financial statements. Misstatements could be caused by fraud or error. If the individual amounts or sums that false contents involved could be reasonably expected to affect the financial decision making of users of consolidated financial statements such false contents would be considered significant.

We conducted the auditing work according to audit standards generally accepted in the ROC and also exercised our profession judgment and remained professionally skeptical. We have also executed the following tasks:

1. Identifying and evaluating likely risks from significant false contents in the consolidated financial statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than the risk of failing to identify those coming from errors.

2. Obtaining necessary understanding of internal controls relevant to the audit, in order to design

appropriate audit procedures in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal controls of Winstek Group.

3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.

4. Based on the audit evidence obtained, conclusions are drawn on the appropriateness of the management's continuing adoption of the going concern accounting foundation and whether there was any significant doubt (in the events or circumstances) about the capacity of Winstek Group to remain in operation or whether any significant uncertainty existed. If we thought such doubt or significant uncertainty existed, we had to point it out in the auditor's report to remind users of the consolidated financial statements to look out for related disclosures in the consolidated financial statements to revise out audit opinion if such disclosures were considered inappropriate. Our conclusion was established according to the audit evidence obtained before the deadline for the auditor's report. However, future events or circumstances may result in Winstek Group no longer being able for going concern.

5. Evaluating the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.

6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in the group to establish our opinion about the consolidated financial statements. We were responsible for guiding, supervising, and executing the audit work for the group and also establishing the auditor's opinion.

We communicated with governance units about the planned audit range and time and important audit discoveries (including significant internal control defects found during the audit process).

We provided governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the ROC CPA Code of Professional Ethics to remain neutral and also communicate with them about the all relations and other matters (including related preventive measures) that could affect the independence of CPAs.

Based on the result of our discussion with the governance body, we decided the key audit matters when auditing the 2018 consolidated financial statement of Winstek Group. We have clearly described the said matters in the auditor's report except certain matters whose public disclosure is prohibited by law or certain matters we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to lead negative effects that would be greater than public good they might benefit.

PwC Taiwan

Li Tien-I

Certified public accountant

Chiang Tsai-Yen

Financial Supervisory Commission (FSC)
Approved certificate No. 1020028992
FSC Approved Certificate No. 1060025097

March 6, 2019

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,275,492	22	$ 849,682	14
1136	Financial assets measured at amortized cost - current	6(2)	1,458,175	25	-	-
1140	Contract assets - current	5(2), 6(13), and 12(5)	13,161	-	-	-
1147	Debt instrument investment without active market - current	12(4)	-	-	1,341,120	22
1170	Net accounts receivable	6(3) and 12(4)	751,857	13	1,108,706	19
1180	Accounts receivable from related parties (net)	6(3) and 7	118	-	-	-
1200	Other receivables from subsidiaries	9	5,631	-	441,538	7
130X	Inventory on hand	6(4)	74,851	2	72,877	1
1479	Other current assets - others		57,670	1	59,551	1
11XX	**Total current assets**		3,636,955	63	3,873,474	64
	Non-current assets					
1535	Financial assets measured at amortized cost - non-current	6(2) and 8	19,700	-	-	-
1600	Property, plant, and equipment	6(5) and 8	2,084,149	36	2,103,064	35
1780	Intangible assets	6(6) and 8	20,815	1	21,453	-
1840	Deferred income tax assets	6(19)	14,604	-	10,066	-
1990	Other non-current assets - others	8	3,788	-	34,715	1
15XX	**Total non-current assets**		2,143,056	37	2,169,298	36
1XXX	**Total assets**		$ 5,780,011	100	$ 6,042,772	100

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Liability and shareholder's equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liability					
2170	Accounts payable		$ 45,925	1	$ 125,420	2
2200	Other payables	6(7)	211,553	3	330,156	6
2220	Other payables - related parties	7	484	-	-	-
2230	Current income tax liabilities		57,316	1	146,477	2
2250	Liability reserve - current		8,017	-	7,319	-
2320	Long-term liabilities due within one year or one operating cycle	6(8)	105,000	2	995,305	17
2399	Other current liabilities - others		113,213	2	111,308	2
21XX	**Total current liabilities**		541,508	9	1,715,985	29
	Non-current liability					
2540	Long-term loans	6(8)	638,269	11	-	-
2570	Deferred income tax liabilities	6(19)	5,449	-	-	-
2640	Net defined benefit liability - non-current	6(9)	16,831	1	13,994	-
2670	Other non-current liabilities - others	6(9)	3,543	-	2,496	-
25XX	**Total non-current liabilities**		664,092	12	16,490	-
2XXX	**Total liabilities**		1,205,600	21	1,732,475	29
	Equity					
	Capital	6(10)				
3110	Capital from ordinary share		1,362,617	24	1,362,617	22
	Capital reserve	6(11)				
3200	Capital surplus		366,243	6	366,243	6
	Retained earnings	6(12)				
3310	Statutory surplus reserve		604,109	10	531,343	9
3320	Special surplus reserve		67,932	1	-	-
3350	Undistributed earnings		2,135,595	37	2,118,026	35
	Other equity					
3400	Other equity		37,915	1	(67,932)	(1)
3XXX	**Total equity**		4,574,411	79	4,310,297	71
	Material commitments and contingencies	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 5,780,011	100	$ 6,042,772	100

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

(except for unit of earnings per share which is NTD)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(13), 7, and 12(5)	$ 2,869,643	100	$ 2,842,923	100
5000	**Operating cost**	6(4)	(2,208,110)	(77)	(2,415,904)	(85)
5950	**Net gross profit**		661,533	23	427,019	15
	Operating expenses	6(17) and (18)				
6100	Selling expenses		(31,008)	(1)	(25,229)	(1)
6200	General and administrative expenses		(179,739)	(6)	(225,272)	(8)
6300	Research and development expenses		(14,946)	(1)	(15,616)	(1)
6000	**Total operational expenses**		(225,693)	(8)	(266,117)	(10)
6500	**Other gains (losses) - net**	9	-	-	930,355	33
6900	**Operating profit**		435,840	15	1,091,257	38
	Non-operating income and expenses					
7010	Other income	6(14)	26,618	1	19,732	1
7020	Other gains and losses	6(15)	18,328	1	(104,253)	(4)
7050	Financing cost	6(16)	(24,574)	(1)	(63,898)	(2)
7000	**Total non-operating income and expenses**		20,372	1	(148,419)	(5)
7900	**Profit before tax**		456,212	16	942,838	33
7950	Income tax expense	6(19)	(126,392)	(5)	(215,187)	(7)
8200	**Net profit of this period**		$ 329,820	11	$ 727,651	26

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Comprehensive Income
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand
(except for unit of earnings per share which is NTD)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive gain or loss					
	Items that will not be reclassified to profit or loss:					
8311	Remeasurements of defined benefit plans	6(9)	($ 3,696)	-	($ 4,758)	-
8310	**Total amount of items that will not be reclassified subsequently to profit or income**		(3,696)	-	(4,758)	-
	Items that may be reclassified to profit or loss					
8361	Foreign currency translation difference of financial statements of overseas business units		105,847	4	(79,103)	(3)
8360	**Total amount of items that may be reclassified subsequently to profit of loss**		105,847	4	(79,103)	(3)
8500	**Total consolidated profit/loss for the current period**		$ 431,971	15	$ 643,790	23
	Profit attributable to:					
8610	Owners of parent		$ 329,820	11	$ 727,651	26
	Total comprehensive income attributable to:					
8710	Proprietors of parent company		$ 431,971	15	$ 643,790	23
	Earnings per share	6(20)				
9750	**Basic earnings per share**		$ 2.42		$ 5.34	
9850	**Diluted earnings per share**		$ 2.39		$ 5.16	

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

		Equity attributable to owners of parent company						
				Retained earnings				
	Notes	一、Ordinary share	二、Capital surplus	三、Appropriated as legal capital reserve	四、Appropriated as special capital reserve	五、Retained earnings	六、The balance of translation of the financial statements of foreign operating institutions	七、Total equity
2017								
Balance as of January 1, 2017		$ 1,362,617	$ 366,243	$ 470,207	$ -	$ 1,572,091	$ 11,171	$ 3,782,329
Net income in current period		-	-	-	-	727,651	-	727,651
Other comprehensive income of the year	6(9)	-	-	-	-	(4,758)	(79,103)	(83,861)
Total comprehensive gain or loss in current period		-	-	-	-	722,893	(79,103)	643,790
Annual appropriation of net income and allocation of the year 2016								
Appropriated as statutory surplus reserve		-	-	61,136	-	(61,136)	-	-
Cash dividend	6(12)	-	-	-	-	(115,822)	-	(115,822)
Balance as at December 31, 2017		$ 1,362,617	$ 366,243	$ 531,343	$ -	$ 2,118,02	($ 67,932)	$ 4,310,297

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Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

		Equity attributable to owners of parent company						
				Retained earnings				
	Notes	八、Ordinary share	九、Capital surplus	十、Appropriated as legal capital reserve	十一、Appropriated as special capital reserve	十二、Retained earnings	十三、The balance of translation of the financial statements of foreign operating institutions	十四、Total equity
2018								
Balance as of January 1, 2018		$ 1,362,617	$ 366,243	$531,343	$ -	$ 2,118,026	($ 67,932)	$ 4,310,297
Effects of retrospective application and retrospective restatement	3(1)	-	-	-	-	9,283	-	9,283
The balance after retrospective application on January 1, 2018		1,362,617	366,243	531,343	-	2,127,309	(67,932)	4,319,580
Net income in current period		-	-	-	-	329,820	-	329,820
Other comprehensive profit and loss in current period	6(9)	-	-	-	-	(3,696)	105,847	102,151
Total comprehensive gain or loss in current period		-	-	-	-	326,124	105,847	431,971
Annual appropriation of net income and allocation of the year 2017								
Appropriated as statutory surplus reserve		-	-	72,766	-	(72,766)	-	-
Appropriated as special surplus reserve		-	-	-	67,932	(67,932)	-	-
Cash dividend	6(12)	-	-	-	-	(177,140)	-	(177,140)
Balance as of December 31, 2018		$ 1,362,617	$ 366,243	$604,109	$ 67,932	$ 2,135,595	$ 37,915	$ 4,574,411

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Note	2018	2019
Cash flow from operating activities			
Current net profit before tax		$ 456,212	$ 942,838
Adjusted items			
Income and expense items			
Depreciation expenses	6(5) and 6(17)	669,391	852,175
Amortization expenses	6(5) and 6(17)	6,394	18,388
Interest expense	6(16)	24,574	63,898
Interest income	6(14)	(25,172)	(19,732)
Disposition of plant, property, and equipment	6(15)	(14,120)	(15,653)
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Contract assets		(3,680)	-
Accounts receivable		377,828	104,711
Accounts receivable - related parties		(118)	-
Other receivables		442,207	45,383
Inventory on hand		358	(1,132)
Other current assets - other		(2,593)	50,706
Net change in liabilities relating to operating activities			
Accounts payable		(81,927)	30,302
Other payables		(115,296)	-
Other payables - related parties		484	-
Provisions		528	(4,202)
Other current liabilities		5,192	33,694
Net defined benefit liabilities		(859)	137
Other noncurrent liabilities		1,039	-
Cash flow from operating activities		1,740,442	2,101,513
Interest income received		24,450	17,355
Interest paid		(20,372)	(76,481)
Income tax paid		(215,786)	(100,517)
Net cash flow from operating activities		1,528,734	1,941,870

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Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Notes	2018	2017
Cash flow from investment activities			
Increase in financial assets measured at amortized cost		($ 4,686,976)	$ -
Decrease in financial assets measured at amortized cost		4,611,663	-
Acquisition of debt instrument investment without active market		-	(3,332,790)
Disposal of debt instrument investment without active market		-	2,991,920
Acquisition of property, plant, and equipment	6(22)	(628,586)	(68,469)
Intangible assets acquired		(3,733)	(15,635)
Disposal of property, plant, and equipment		24,468	15,653
Decreases in refundable deposits		766	-
Decrease in other non-current assets		-	(10,670)
Net cash flow from investing activities (out)		(682,398)	(419,991)
Cash from financing activities			
Short-term loans borrowed	6(23)	1,000,000	-
Repayment of short term loans	6(23)	(1,000,000)	-
Long-term loans borrowed	6(23)	1,041,750	-
Long-term loans repaid	6(23)	(1,315,793)	(1,705,983)
Increases in guarantee deposits	6(23)	72	28
Decreases in guarantee deposits	6(23)	(65)	-
Cash dividends paid	6(12)	(177,140)	(115,822)
Net cash flow from financing activities (out)		(451,176)	(1,821,777)
Impacts on cash and cash equivalents from changes in exchange rates		30,650	78,215
Net increase (decrease) in cash and cash equivalents for the year		425,810	(221,683)
Cash and cash equivalents at beginning of year	6(1)	849,682	1,071,365
Cash and cash equivalents at end of year	6(1)	$ 1,275,492	$ 849,682

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

2017 and 2018

Unit: NT$ thousand

(Unless specified otherwise)

I. Company History

Winstek Semiconductor Co., Ltd. (hereinafter referred to as "the Company") was established in April 26, 2000 in the ROC. The Company's shares were listed and traded at GreTai Securities Market in August 2005. The Company and its subsidiaries (hereinafter referred to as "the Group") are mainly engaged in the R&D and testing of integrated circuits, services of turnkey wafer bumping and wafer level packaging, and other related businesses.

Based on the operational consideration, and to comply with the reorganization plan of the Company's original parent, STATS ChipPAC Ltd. Group, the Company signed a legally binding list of important clauses on December 30, 2014, which were approved by the board of directors on December 25, 2014, to purchase the full shares of Winstek Semiconductor Technology Co., Ltd. (hereinafter referred to as "Winstek Semiconductor Technology") which were 100% held by STATS ChipPAC Ltd, at a total price of US$15 million. The main business of Winstek is the services of turnkey wafer bumping and wafer level packaging, etc. The company completed the payment to STATS ChipPAC Ltd. on July 30, 2014 and acquired the equity of Winstek Semiconductor Technology.

STATS ChipPAC Ltd., the original parent company of the Company, transferred all its shares in the Company to Bloomeria Ltd. in Singapore, its wholly owned subsidiary, on July 30, 2014. In addition, STATS ChipPAC Ltd., has distributed the above US$ 15 million and all the shares of Bloomeria Ltd. to the eligible shareholders of STATS ChipPAC Ltd., by capital reduction. Upon completion of the reorganization and capital reduction program of the group on August 5, 2015, the Company and its subsidiary Winstek Semiconductor Technology became separated from the STATS ChipPAC Ltd. group.

The ultimate parent company of the Company was originally Temasek Holding Ltd., and Silicon Microelectronics Corporation took control of the parent company Bloomeria Ltd. on October 13, 2017, and indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Group.

II. Approval date and procedures of the financial statements

This consolidated financial statements were issued by the board of directors on March 6, 2019.

III. Application of New and Amended International Financial Reporting Standards (IFRS) and Interpretations

(I) Effects of the adoption of new and amended IFRSs endorsed by the Financial Supervisory Commission (FSC):

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2018:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Application of IFRS 9 'Financial Instruments' under IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Interpretation of IFRS 15 'Revenue from Contracts with Customers'"	January 1, 2018
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfer of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
Annual Improvements for the 2014-2016 Cycle - IAS 28 "Investment in Associates and Joint Ventures"	January 1, 2018

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance, except for those stated below:

1. IFRS 9 "Financial Instruments"

(1) Debt instruments may be classified as financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), or financial assets measured at amortized cost according to the business model of the entity and the characteristics of its contractual cash flows; equity instruments are classified as financial assets measured at FVTPL, unless the entity makes an irrevocable election to recognize the fair value of the equity instruments not held for trading in other comprehensive income.

(2) The impairment assessment on debt instruments should adopts the expected credit losses model, which assesses on the balance sheet date as to whether the credit risk of such instrument has increased significantly so as to determine (a) whether it's appropriate to adopt the 12-month expected credit losses or the full lifetime expected credit losses (interest revenue is calculated

based on the asset's gross carrying amount before impairment occurs); or (b) whether an impairment has occurred, and if so, the interest revenue is estimated at the amount equal to the gross carrying amount adjusted for any loss allowance. A loss allowance for full lifetime expected credit losses is required for accounts receivable consisting no material financial component.

(3) In line with the IFRS No. 9 (hereinafter referred to as "IFRS 9"), the Group opted not to restate the financial statements from the previous period (hereinafter referred to as "amendatory retrospect"). For the significant influence as on the date of January 1, 2018, please refer to Notes 12(4)2. and 3.

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

(1) Replace IAS 11 "Construction Contracts," IAS 18 "Revenue," and related interpretations and interpretations announcement with IFRS No. 15 "Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15"). IFRS 15 stipulates that revenue is recognized when customers obtain the control of goods or services and that control is deemed achieved when customers have the ability to direct the use of and obtain substantially all the remaining benefits from the assets.

The core principle of IFRS 15 is that "an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." An entity determines the recognition timing and amount in accordance with the core principle by applying the five-step model framework as stated below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in contracts.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, IFRS 15 contains a set of integrated disclosure requirements, which require an entity to disclose comprehensive information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(2) During the initial application of IFRS 15, the Group chose to adopt amendatory retrospect, and recognized the cumulative influence of the initial application as the retained surplus in January 1, 2018. The significant influence of the adoption of formal amendatory retrospect transition on

January 1, 2018 is summarized as follows:

A. The Group shall, in accordance with the provisions of IFRS 15, recognize revenue based on the completion degree of performance obligations over time. As a result, the contract assets were simultaneously increased and an surplus of $9,283 was retained on January 1, 2018.

B. Other disclosures relating to the initial application of IFRS 15 please refer to the specific Note 12(5).

3. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires an entity to disclose more information regarding the changes in liabilities arising from financing activities, including changes in cash and non-cash items.

After assessments, the Group expects a more extensive disclosure of changes in liabilities arising from financing activities.

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC:

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9 "Repayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual improvements in the 2015-2017 cycle	January 1, 2019

The Group has assessed that the above standards and interpretations have no significant influence on the Group's financial position and financial performance, except as those indicated below:

IFRS 16 "Leases"

IFRS 16 “Leases” supersedes IAS 17 “Leases” and its relevant IFRIC and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.

The Group will treat the tenancy agreement of the lessee according to IFRS 16, adopting amendatory retrospect, which may increase the right-of-use assets and lease liabilities by $137,655 respectively on January 1, 2019.

(III) Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 1 and IAS 8 "Disclosure Initiative—Definition of Material"	January 1, 2020
IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by International Accounting Standards Board (IASB)
IFRS 17 "Insurance Contracts"	January 1, 2021

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance.

IV. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of compliance

The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as IFRS, IAS, IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) endorsed by the FSC.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

   Defined benefit liabilities recognized based on the amount of pension fund assets less net present value of defined benefit obligations.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Group adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this consolidated financial reports. Please refer to Note 5 for details.

3. The Group applied IFRS 9 and IFRS 15 for the first time on January 1, 2018, by adopting amendatory retrospect on the retained surplus of the translation balance as on January 1, 2018, and did not recompile the financial statements and notes for the year of 2017. In accordance with the International Accounting Standards

No. 39 (hereinafter referred to as "IAS 39") and International Accounting Standards No. 18 (hereinafter referred to as "IAS 18") and relevant interpretations and interpretation announcements, please refer to Notes XII(IV) and (V) for the statements of material accounting policies and important accounting items adopted in the year of 2017.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements

(1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

(2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.

2. Subsidiaries included in the consolidated financial statements:

			Percentage of equity held		
Name of investment company	Name of subsidiaries	Nature of business	December 31, 2018	December 31, 2017	Details
The Company	Winstek Semiconduct Technology	Services of turnkey wafer bumping and wafer level packaging	100%	100%	

3. Subsidiaries not absorbed into the consolidated financial reports: none.

4. Adjustment for subsidiaries with different balance sheet date: none.

5. Significant restrictions: none.

6. Subsidiaries with material non-controlling interest to the Group: none.

(IV) Foreign currency translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The consolidated financial statements are presented in NT$, which is the Company’s functional and the Group’s presentation currency.

1. Foreign currency transaction and balance

(1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.

(2) Balances of monetary assets and liabilities denominated in foreign currencies

are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.

(3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

(4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

2. Translation from Foreign Operations

The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) The assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(3) All resulting exchange differences are recognized in other comprehensive income.

(V) <u>Classification of current and non-current assets and liabilities</u>

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held primarily for trading purposes;

(3) Assets that are expected to be realized within 12 months after the balance sheet date;

(4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

The Group classifies assets not meet the aforesaid criteria into non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.

(2) The liability is held mainly for transaction purposes.

(3) Liabilities that are expected to be settled within 12 months after the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Group classifies liabilities not meet the aforesaid criteria into non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

(VII) Financial assets measured at amortized cost

1. Refer to those comply with all the following conditions:

   (1) The financial asset is held under a business model for the purpose of collecting contractual cash flow.

   (2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.

2. The Group uses the trade day accounting for financial assets measured at amortized cost and complied with trade practices.

3. The Group originally recognized the financial assets measured at its fair value plus transaction costs. Subsequently, the Group recognized interest income and impairment loss within the period of circulation by adopting the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

4. The time deposits which are not complied with the definitions of cash equivalents held by the Group are measured by the amount of investment due to the short holding period and the immaterial influence of the discounting.

(VIII) Accounts receivable

1. Refers to the accounts which, as agreed in the contract, are entitled to unconditionally receive the amount of consideration for the transfer of commodity or services.

2. For the short-term accounts receivable with unpaid interest, the Group measures at the original invoice amount due to the immaterial influence of discounting.

(IX) Impairment of financial assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(X) Derecognition of financial assets

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XI) Inventory on hand

Inventory on hand, as the accounting foundation of acquisition cost, is mainly consumed and transferred to cost of sales in the process of providing services. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(XII) Property, plant, and equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. The cost model is applied to other property, plant and equipment and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. In the end of each financial year, the Group reviews the residual value, useful life and depreciation method of each asset; if the expected values of the residual value and useful life are different from previous estimates, or the consumption patterns of the future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting

Policies, Changes in Accounting Estimates and Errors" from the date of change. The estimated useful lives of property, plant, and equipment are as follows:

Housing and construction equipment	5 ~ 25 years
Machinery equipment	3 ~ 8 years
Office and other equipment	3 ~ 8 years

(XIII) Operating lease (lessee)

For operating leases, lease payments (excluding incentives from the lessor) are amortized on a straight-line basis over the lease term and recognized in profit or loss.

(XIV) Intangible asset

1. Technical royalty

   It is recognized at acquisition cost, amortized based on economic benefit or contract life by a straight-line method, with an estimated useful life of 7 years.

2. Computer software

   Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years.

(XV) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets for which there is an indication that they are impaired. An impairment loss is recognized for the amount when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XVI) Loan

1. Refers to the long-term or short-term funds borrowed from a bank. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

2. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a pre-payment and amortized over the period of the facility to which it relates.

(XVII) Accounts payable

1. Refers to the debts that incurred for the purchase of raw materials, commodity or services and notes payable that incurred by both operating and non-operating activities.
2. For the short-term accounts payable without paid interest, the Group measures them by the original invoice amount due to the immaterial influence of discount.

(XVIII) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(XIX) Liability reserve

Liability reserve is a current statutory or constructive obligation generated from a past event. It is likely that outflow of resources with economic benefit will be required to settle the obligation and the amount of the obligation shall be recognized when it can be estimated reliably. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used is a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the liability. The discounted amortization amount is recognized as interest expense. Provisions are not recognized for future operating losses.

(XX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

   (1) Defined contribution plan

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

   (2) Defined benefit plans

   A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance sheet date).

B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

C. Expenses associated with past service costs are recognized immediately in profit or loss.

3. Other long-term employee benefits

The Group has long-term employee benefits in addition to pension plans. Its net obligation is calculated by projected unit credit method. It is measured by discounting the amount of future benefits earned by the employee from the current or past services less the fair value of any relevant assets. The discounting rate adopts the yield-to-maturity on the reporting date of government bonds, the due date which is close to the Group's obligations deadline. All actuarial gains and losses are recognized as profit and loss in the current period.

4. Compensation to employees and remuneration to directors and supervisors

Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(XXI) Income Tax

1. Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The income tax expenses are calculated on tax rates on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on retained earnings in accordance with the income tax law, it shall be recognized as retained earnings income tax expenses, based on the actual allocation status of surplus, after the surplus allocation plan has been approved in the shareholders' meeting in the following year of the year in which the surplus is generated.

3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
5. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

(XXII) Share capital

Ordinary shares are classified as equity. The net amount of increased cost (directly attributed to the issue or warrant of new shares) less income tax, will be recognized as price reduction in equity.

(XXIII) Dividend distribution

The dividend allocated to the shareholders of the Company shall be recognized in the financial report during the resolution of the shareholders' meeting to distribute dividend, while cash dividends shall be recognized as liabilities.

(XXIV) Revenue recognition

1. Income from labor services

   The Group engages in R&D and testing of integrated circuits, and services of turnkey wafer bumping and wafer level packaging and other related businesses. If the following conditions are complied with: (a) with the performance of contract by enterprises, customers acquire and consume the benefits provided by enterprises; (b) the performance of contract by enterprises creates or strengthens the assets which are controlled by the customer during the performance process; (c) the performance of contract by enterprises does not create assets which are useful for other purposes, in addition to the presence of executable rights on the currently completed performance items, then the enterprise will gradually transfer control of the commodity or services over time, thus the performance obligations are gradually fulfilled and are recognized as income. The testing and packaging services provided by the Group meet the condition (b) above, hence they shall be recognized as revenue gradually over time by following the procedure of completion measurement on the performance obligations.

The Group's completion degree of R&D and testing integrated circuits, and services of turnkey wafer bumping and wafer level packaging, is defined on the basis of the actual service costs incurred as a percentage of the estimated total service costs; The Group provides testing and packaging services as per the specification of customer requirements. Therefore, the service costs required are not incurred on an average basis during the service period. The Group considers that it is appropriate to measure the completion degree of performance obligations to customers by adopting the method mentioned above.

The Group has not adjusted the transaction price to reflect the time value of the currency, because the time interval between the transfer of the promised commodity or services to the customer and the customer's payment time has not exceeded one year.

2. Consideration income

The Group retains production capacity to provide semiconductor testing and packaging services to customers. During the term of the contract, if the purchase quantity of customer less than the minimum purchase amount agreed in the contract each year, the Group may claim the balance consideration for the part of the reserved production capacity not exceeding the purchase amount in accordance with the procedures stipulated in the contract. The income from the balance consideration shall meet the performance obligations upon the transfer of control of each performance obligation and shall be recognized as income.

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

When preparing the consolidated financial statements, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, the historical experience, and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. The related information is addressed below:

(I) Major judgments in adopting the accounting policies

None

(II) Critical accounting estimates and assumptions

Measurement of the degree of completion of the performance obligations

The Group recognizes revenue by measuring the degree of completion of performance obligations during the period of service delivery. For the R&D and testing of various integrated circuits, and services of turnkey wafer bumping and wafer level packaging, the Group recognizes the revenue based on the input cost to fulfill the obligations for the current period, in relation to the total expected cost input to meet the overall performance obligations. In view of the uncertainty in the total expected cost input estimation, the assessment process of the completion degree of the performance obligations depends on the subjective judgment of the Group.

As at December 31, 2018, the uncompleted work orders of the Group were recognized as contract assets by the completion degree of the performance obligations, valued at $13,161.

VI. Descriptions of major accounting subjects

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 100	$ 100
Checking deposit and demand deposit	506,812	551,982
Time deposits	768,580	297,600
Total	$ 1,275,492	$ 849,682

The Group deals with financial institutions with good credit quality. The Group also deals with various financial institutions to diversify credit risks. Therefore, the expected risk of default is pretty low.

(II) Financial assets measured at amortized cost

Items	December 31, 2018
Current items:	
Time deposits	$ 1,458,175
Non-current items:	
Time deposits	$ 19,700

1. The details of recognition of financial assets measured by amortized cost as gains or losses are as follows:

	2018
Interest income	$ 16,489

2. The time deposits with an amount of $19,700, with purpose of which is restricted by the customs guarantee are accounted in "financial assets measured at amortized cost - non-current." Please refer to note VIII for details.
3. For information as on December 31, 2017, please refer to Note XII(IV) for details.

(III) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 751,857	$ 1,108,706
Accounts receivable - related parties	118	-
	751,975	1,108,706
Less: allowance for losses and bad debts	-	-
	$ 751,975	$ 1,108,706

The Group does not have accounts provided as hypothecation security.

1. Aging analysis of accounts receivable is stated as follows:

	December 31, 2018	December 31, 2017
Not overdue	$ 381,579	$ 513,443
≤30 days	99,772	192,398
31-90 days	215,721	397,205
91-180 days	54,903	5,660
	$ 751,975	$ 1,108,706

The aging analysis above was based on the number of days overdue.

2. Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Group's accounts receivable on December 31, 2018 and December 31, 2017 are $751,975 and $1,108,706, respectively.

3. For credit risk information, please refer to Note 12(2).

(IV) Inventory on hand

	December 31, 2018	December 31, 2017
Raw materials	$ 76,205	$ 73,858
Allowance for price decline of inventories	(1,354)	(981)
Carrying amount	$ 74,851	$ 72,877

The cost of inventories recognized as expense for the period:

	2018	2017
Cost of inventories have been consumed	$ 2,207,737	$ 2,417,106
Loss from falling price	373	-
Recovered interest	-	(1,202)
	$ 2,208,110	$ 2,415,904

In the year of 2017, the Group has sold some of its inventories that had been previously set aside for depreciation losses, resulting in the recovery of net realized value of inventories and the reduction of recognized operating costs.

(Blank Below)

(V) Property, plant, and equipment

	Land	Buildings	Machinery equipment	Office equipment And other equipment	Equipment awaiting examination	Total
January 1, 2018						
Cost	$ 194,924	$ 845,057	$ 10,849,189	$ 1,186,026	$ 33,909	$ 13,109,105
Accumulated depreciation	-	(730,072)	(9,185,756)	(1,090,213)	-	(11,006,041)
	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
2018						
January 1	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
Add	-	17,379	423,589	94,116	86,094	621,178
Disposals or retirements	-	-	(10,348)	-	-	(10,348)
Reclassification	-	-	33,654	381	(34,035)	-
Depreciation expenses	-	(35,966)	(590,866)	(42,559)	-	(669,391)
Net exchange differences	-	-	37,153	2,230	263	39,646
December 31	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149
December 31, 2018						
Cost	$ 194,924	$ 848,779	$ 11,056,984	$ 1,286,930	$ 86,231	$ 13,473,848
Accumulated depreciation	-	(752,381)	(9,500,369)	(1,136,949)	-	(11,389,699)
	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149

	Land	Housing and construction	Machinery equipment	Office equipment And other equipment	Equipment awaiting examination	Total
January 1, 2017						
Cost	$ 194,924	$ 845,057	$ 11,578,658	$ 1,274,635	$ 33,592	$ 13,926,866
Accumulated depreciation	-	(692,248)	(9,058,499)	(1,142,842)	-	(10,893,589)
	$ 194,924	$ 152,809	$ 2,520,159	$ 131,793	$ 33,592	$ 3,033,277
2017						
January 1	$ 194,924	$ 152,809	$ 2,520,159	$ 131,793	$ 33,592	$ 3,033,277
Add	-	-	34,405	9,382	34,338	78,125
Reclassification	-	-	22,715	9,348	(32,063)	-
Depreciation expenses	-	(37,824)	(767,430)	(46,921)	-	(852,175)
Net exchange differences	-	-	(146,416)	(7,789)	(1,958)	(156,163)
December 31	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
December 31, 2017						
Cost	$ 194,924	$ 845,057	$ 10,849,189	$ 1,186,026	$ 33,909	$ 13,109,105
Accumulated depreciation	-	(730,072)	(9,185,756)	(1,090,213)	-	(11,006,041)
	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064

1. The capitalized amount of the borrowing costs of property, plant, and equipment was $0 in both 2018 and 2017.
2. Please refer to Note VIII for detailed information regarding the guarantee of property, plant, and equipment.

(VI) Intangible asset

	Technical royalties	Computer software	Total
January 1, 2018			
Cost	$ 35,712	$ 147,678	$ 183,390
Accumulated amortization and impairment	(35,712)	(126,225)	(161,937)
	$ -	$ 21,453	$ 21,453
2018			
January 1	$ -	$ 21,453	$ 21,453
Add - derived from separate gain	-	5,338	5,338
Amortization	-	(6,394)	(6,394)
Net exchange differences	-	418	418
December 31	$ -	$ 20,815	$ 20,815
December 31, 2018			
Cost	$ 36,858	$ 156,450	$ 193,308
Accumulated amortization and impairment	(36,858)	(135,635)	(172,493)
	$ -	$ 20,815	$ 20,815

	Technical royalties	Computer software	Total
January 1, 2017			
Cost	$ 38,700	$ 140,204	$ 178,904
Accumulated amortization and impairment	(38,700)	(128,203)	(166,903)
	$ -	$ 12,001	$ 12,001
2017			
January 1	$ -	$ 12,001	$ 12,001
Add	-	15,635	15,635
Amortization expenses	-	(5,506)	(5,506)
Net exchange differences	-	(677)	(677)
December 31	$ -	$ 21,453	$ 21,453
December 31, 2017			
Cost	$ 35,712	$ 147,678	$ 183,390
Accumulated amortization and impairment	(35,712)	(126,225)	(161,937)
	$ -	$ 21,453	$ 21,453

Please refer to Note VIII for detailed information of the guarantee provided by intangible assets.

The amortization details of intangible assets are as follows:

	2018	2017
Operating cost	$ 3,376	$ 3,110
Administrative expenses	3,018	2,396
	$ 6,394	$ 5,506

(VII) Other payables

	December 31, 2018	December 31, 2017
Bonus and salaries payable	$ 116,786	$ 130,602
Compensation payable to employees and remuneration payable to Directors and Supervisors	47,363	144,742
Payables on equipment	47,404	54,812
	$ 211,553	$ 330,156

(VIII) Long-term loans

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2018
Long-term bank loans				
Guaranteed loan	From April 27, 2018 to April 27, 2021, to repay in installments over the period of the agreement	1.7970%	Property, plant, and equipment	$ 450,000
Credit borrowing	From November 27, 2018 to November 27, 2021, to repay in installments over the period of the agreement	1.3877%	None	300,000
				750,000
Less: Long-term loans due within one year or one operating cycle				(105,000)
Less: Arranger fees				(6,731)
				$ 638,269

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2017
Long-term bank loans				
Guaranteed loan	From July 23, 2015 to July 23, 2018, to pay interest by quarterly	3.72%	Property, plant, and equipment and intangible assets	$ 995,305
Less: Long-term loans due within one year or one operating cycle				(995,305)
				$ -

To complete the reorganization plan of STATS ChipPAC Ltd. Group, and to subsequently obtain 100% of Winstek Semiconductor Technology, on July 23, 2015, the Company and Winstek Semiconductor Technology with Singapore's DBS Bank signed a credit contract with a total amount of US$127 million, the duration of which was three years and may be extended for another two years with application and additional payment of extension fee of 0.2% of the unamortized balance. The Company provided guarantee and reverse commitment for Winstek Semiconductor Technology, when Winstek Semiconductor Technology applied US$127 million credit extension from DBS Bank, and when Winstek Semiconductor Technology applied to open the guaranteed letter of credit of US$127 million from DBS Bank (Taiwan) for the guarantee of such credit extension to DBS Bank.

Corresponding with the above credit guarantee case, the Company shall adjust the amount of guarantee and endorsement provided to Winstek Semiconductor Technology in accordance with the net value of financial statements audited or reviewed by CPA on a quarterly basis.

Provisions of the loan agreement signed on July 23, 2015:

1. During the loan period, the Company (joint guarantor) shall maintain the specific financial ratios such as the debt ratio and the interest coverage ratio, etc. in the annual consolidated financial statements audited and verified by the CPA and the quarterly consolidated financial statements reviewed by the CPA. The consolidated financial statements of the Group for the year 2017 met its financial ratio limits.
2. After the closing date of the acquisition of Winstek Semiconductor Technology, DBS Bank (Taiwan) shall have the right to cancel the loan and request Winstek Semiconductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately if the following control rights of the Group have changed.
   (1) Bloomeria Ltd. does not directly or indirectly hold more than 45% equity of Winstek Semiconductor Co., Ltd.
   (2) Singapore Technologies Semiconductor Pte Ltd. does not directly or indirectly hold more than 50% equity of Bloomeria Ltd.
   (3) Winstek Semiconductor Technology is not a 100% owned subsidiary of the Group.
3. The Group shall not be arbitrarily merged, divided or restructured without the consent of DBS Bank, unless the merged parties belong to the same group.
4. According to the agreement, the Group shall not pay dividends to shareholders from the date of loan until full repayment, unless:
   (1) At the time of dividend payment, there is no default by the Group.
   (2) After the allocation of dividends, the cash and cash equivalents of the Group shall not be less than US$30 million or less than the other equivalent currency.

5. The Group shall not amend its terms of the technical services agreement between the Group and STATS ChipPAC Ltd., that shall have a material influence, unless the loan has been fully repaid.

Silicon Microelectronics Corporation on October 13, 2017, obtained the control right of the Group's parent company Bloomeria Ltd. The equity trading has contravened the bank loan contractual provision where Singapore Technologies Semiconductor Pte Ltd. shall not hold more than 50% equity of Bloomeria Ltd. In accordance with the provisions, DBS Bank shall have the right to cancel the loan and request Winstek Semiconductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately. In order to meet the above restrictions, Winstek had repaid all the balance of the loan (US$33,691,000) in advance on January 23, 2018, and because of this, it paid the additional fee of NT$4,506 as agreed in the contract. In addition, in accordance with the above repayment, the Company's endorsement guarantee provided to Winstek Semiconductor Technology has been cancelled on January 26, 2018.

Secured bank borrowings

In accordance with the provisions of the credit extension contract signed on April 16, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred, for the duration of this credit extension case:

1. Net financial ratio: the total net financial liabilities divided by the profit before tax of consolidated financial statements plus interest expenses plus depreciation expenses and amortization expenses shall be less than 3 times.
2. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses of consolidated financial statements shall be more than 4 times.

Credit loans

In accordance with the provisions of the credit extension contract signed on August 14, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred, for the duration of this credit extension case:

1. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
2. Debt ratio: the total net liabilities plus contingent liabilities divided by tangible net value in the consolidated financial statements shall not be more than 100%.
3. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than 10 times.

The consolidated financial statements of the Group for the year 2018 met its financial ratio limits.

(IX) Pension Funds

1. (1) The company and the subsidiaries in accordance with the provisions of the "Labor Standards Law," have made the method to define retirement allowance, which applies to the length of service of all regular employee before the implementation of "Labor Pensions Ordinance" on July 1, 2005, and the length of follow-up service of employee choosing to continue to apply to "Labor Standards Law" after the implementation of "Labor Pensions Ordinance." Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company shall contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited into an account of the Bank of Taiwan in the name of the Supervisory Committee of Workers' Pension Preparation Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

(2) Amounts recognized on the balance sheets are as follows:

	December 31, 2018	December 31, 2017
Present value of funded obligations	$ 37,392	$ 32,725
Fair value of plan assets	(20,561)	(18,731)
Net defined benefit liabilities	$ 16,831	$ 13,994

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Plan fair value of assets	Net defined benefit liabilities
2018			
Balance as of January 1	$ 32,725	($ 18,731)	$ 13,994
Interest expense (income)	491	(281)	210
	33,216	(19,012)	14,204
Remeasurement amount:			
Plan assets return (excluding amounts included in interest income or expenses)	-	(480)	(480)
Impacts of changes in demographic assumptions	2,927	-	2,927
Impacts of changes in	635	-	635

financial assumptions			
Experience adjustment	614	-	614
	4,176	(480)	3,696
Provision of pension funds	-	(1,069)	(1,069)
Balance as of December 31	$ 37,392	($ 20,561)	$ 16,831

	Present value of defined benefit obligations		Plan fair value of assets		Net defined benefit liabilities	
2017						
Balance as of January 1	$	27,648	($	18,549)	$	9,099
Interest expense (income)		415	(	278)		137
		28,063	(	18,827)		9,236
Remeasurement amount:						
Plan assets return (excluding amounts included in interest income or expenses)		-		96		96
Impacts of changes in demographic assumptions		4,289		-		4,289
Experience adjustment		373		-		373
		4,662		96		4,758
Balance as of December 31	$	32,725	($	18,731)	$	13,994

(4) The fund asset of the Company's defined benefit pension plan (hereinafter referred to as the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total assets of the Fund as of 31 December, 2017 and 31 December, 2018, please refer to the various annual labor pension utilization reports issued by the government.

(5) Actuarial assumptions on pensions are summarized as follows:

	2018	2017
Discount rate	1.375%	1.500%
Future increase rate of wage	3.000%	3.000%

The assumptions for future mortality rate are estimated by the Fifth

Experience Mortality Table of Taiwan's life insurance industry.

Effects of changes in the principal actuarial assumptions on present value analysis of defined benefit obligation are as follows:

	Discount rate		Future increase rate of wage	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2018				
The impact on present value of defined benefit obligations	($ 1,367)	$ 1,434	$ 1,390	($ 1,333)
December 31, 2017				
The impact on present value of defined benefit obligations	($ 1,200)	$ 1,259	$ 1,223	($ 1,172)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

(6) The Group's projected allocation to the pension plan for the year 2019 is $1,648.

(7) As at 31 December 2018, the weighted average duration of the pension plan is 15 years. The analysis of the due dates of retirement allowance payment is as follows:

Within 1 year	175
1 - 2 years	491
2 - 5 years	1,951
5-10 years	8,603
	$11,220

2. (1) As of July 1, 2005, the Company and its subsidiaries have, in accordance with the "Labor Pensions Ordinance," have made the method to define retirement allowance, which applies to local employees. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts

in the Bureau of Labor Insurance.

(2) The retirement allowance costs recognized by the Group under the above retirement allowance method were $24,549 and $23,230 respectively in the years of 2018 and 2017.

3. The other long-term employee benefit plans (pension) provided by the Group to the employees, which is measured by an actuarial technology on other long-term employee benefit liabilities, in accordance with the actuarial report, the amounts recognized as costs and expenses of other long-term employee benefit plans were $1041 and $802 respectively in the years of 2018 and 2017, and on December 31, 2018 and 2017, other long-term employee benefit liabilities were $3,335 and $2,294 respectively.

(X) Share capital

On December 31, 2018, the Company's authorized capital was NT$4 million, divided into 400 million shares, and the paid-up capital was NT$1,362,617, with a face value of NT$ 10 per share. Share payments for the Company's issued shares have been collected in full.

Quantities of the Company's outstanding ordinary shares at the beginning and ending of periods were reconciled as follows:

Unit: 1,000 shares

	2018	2017
January 1/December 31	136,262	136,262

(XI) Capital surplus

According to the provisions of the Company Act, over face value of share premium gifts of assets donated to additional paid-in capital for covering deficit. If there is no accumulated deficit in company, company shall issue new shares with existing shares or cash by ratio to shareholders According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceed the limit of 10% of the paid-up capital each year Company in surplus reserves to fill the capital loss still remains insufficient, may not be complemented by additional paid-in capital.

		2018
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ 250,734	$ 115,509

		2017
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ 250,734	$ 115,509

(XII) Retained earnings

1. In accordance with the Articles of Association of the Company, if there is after-tax surplus in the annual accounts, 10% of the statutory capital reserve shall be appropriated after covering the loss of previous years, and the special capital reserve shall be appropriated as necessary. If there is still surplus, together with the accumulated undistributed surplus of the previous years, the Board of Directors may reserve a portion of the surplus based on the operating circumstances, and draw the allocation plan of net income and submit to the shareholders' meeting for resolution.
2. The dividend distribution policy of the Company shall consider the current surplus status of the Company and the future investment environment, the capital demand, capital budget plan and operating plan, etc., allocated according to the financial structure and the surplus dilution situation, the amount of which shall be not less than 10% of the net surplus after-tax in current year, but shall be retained and not assigned if the EPS is below NT$ 0.5 or dividend distribution will result in a breach of contract. The Company's surplus may be distributed as stock dividends or cash dividends, of which the cash dividends shall not be less than 10% of the total dividends.
3. The statutory capital reserve shall not be used except to cover the Company's losses and to issue new shares or cash in proportion to the shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall exceed 25% of the reserves of the paid-in capital.
4. By resolutions of the shareholders' meeting on June 12, 2018 and June 14, 2017, respectively, the Company adopted the following surplus allocation for the years of 2017 and 2016:

	2017		2016	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
Cash dividend	$ 177,140	$ 1.30	$ 115,822	$ 0.85

5. By a resolution of the Board of Directors on March 6, 2019, the Company adopted the following surplus allocation plan for the year 2018:

	2018 (note)	
	Amount	Dividend per share (NT$)
Cash dividend	$ 163,514	$ 1.20

Note: this is still pending resolution of shareholders' meeting.

(XIII) Turnover

	2018
Revenue from customer contracts	$ 2,869,643

1. Segments of revenue from contracts with customers

   The revenue of the Group is derived from the provision of services that are gradually transferred over time and can be categorized into the following main product lines:

2018	Testing income	Packaging income	Other labor services income	Total
Segment revenue	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643
Revenue from external customer contracts	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643

2. Contract assets and liabilities

   The assets and liabilities associated with the client's contract revenue recognized by the Group are as follows:

	December 31, 2018
Contract assets:	
Contract assets - packaging testing	$ 13,161

3. Please refer to Note XII(V) for details of the disclosure ofthe year of 2017.

(XIV) Other income

	2018	2017
Interest income:		
Interest from bank deposits	$ 8,683	$ 8,712
Interest income from financial assets at amortized cost	16,489	-
Interest income from debt instrument investment without active market	-	11,020
Total interest income	25,172	19,732
Rental income	1,446	-
	$ 26,618	$ 19,732

(XV) Other gains and losses

	2018	2017
Interests from disposal of property, plant, and equipment	$ 14,120	$ 15,653
Foreign exchange gains (losses)	4,740	(105,589)
Miscellaneous expenses		
Advance repayment losses on long-term loans	(4,506)	(5,277)
Other gains and losses	3,974	(9,040)
	$ 18,328	($ 104,253)

(XVI) Financial cost

	2018	2017
Interest expense	$ 24,574	$ 63,898

(XVII) Additional information regarding the nature of expense

	2018	2017
Employee benefit expenses	$ 718,688	$ 790,946
Depreciation expenses of property, plant, and equipment	$ 669,391	$ 852,175
Amortization expense of intangible assets	$ 6,394	$ 5,506

(XVIII) Employee benefit expenses

	2018	2017
Wages and salaries expenses	$ 607,735	$ 692,147
Labor and health insurance expenses	53,730	47,530
Pension expense	24,759	23,367
Other employment expenses	32,464	27,902
	$ 718,688	$ 790,946

1. According to the Articles of Association of the Company, if the Company earns profits during the year, 0.1%~15% of which shall be allocated to the employees bonus. Where employees bonus is paid in stock or cash, the payees includes employees who meet certain conditions in their subordinate companies. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first. if the company earns profits during the year, 1%~3% of which shall be appropriated as directors' bonus depending on the operating circumstances. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first.
2. The estimated amount of employee bonus of the Company in the year of 2018 and year 2017 is $28,088 and $120,750 respectively; the estimated amount of directors' bonus was $0. The foregoing amounts were accounted as pay expenses.

   The employees bonus and directors' bonus in resolution of the Board of Directors in 2017 are the same as the amount recognized in the financial report of 2017.

   Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors is available on the Market Observation Post System.

(XIX) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2018	2017
Current income tax:		
Income tax incurred in current period	$ 88,123	$ 144,752
0% surtax on unappropriated retained earnings	40,506	42,860
Underestimation (overestimation) of prior year's annual income tax	(3,148)	12,045
Total income tax in the period	125,481	199,657
Deferred income tax:		
Initial recognition and reversal of temporary differences	2,687	15,530
Impacts of tax rate changes	(1,776)	-
Total deferred income tax	911	15,530
Income tax expense	$ 126,392	$ 215,187

(2) Income tax amounts associated with other comprehensive income: None.

(3) Income tax amounts directly debited or credited to equity: None.

2. Relation between income tax expense and accounting profit

	2018	2017
Income tax calculated on net profit before tax by statutory tax rate	$ 91,241	$ 160,282
Expenses which shall be excluded in accordance with the provisions of the tax law	715	-
Underestimation (overestimation) amount of prior year's annual income tax	(3,148)	12,045
Impacts of tax law amendments on income tax	(1,776)	-
0% surtax on unappropriated retained earnings	40,506	42,860
Other	(1,146)	-
Income tax expense	$ 126,392	$ 215,187

3. The amounts of deferred income tax assets or liabilities arising from temporary differences, levy losses, and investment allowances are as follows:

	2018		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 8,344	$ 2,068	$ 10,412
Unrealized exchange loss	1,555	769	2,324
Inventory allowance loss from falling price	167	98	265
Other	-	1,603	1,603
Subtotal	10,066	4,538	14,604
- Deferred income tax liabilities:			
Unrealized exchange gains	-	(5,304)	(5,304)
Other	-	(145)	(145)
Subtotal	-	(5,449)	(5,449)
Total	$ 10,066	($ 911)	$ 9,155

	2017		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 7,839	$ 505	$ 8,344
Unrealized exchange loss	15,044	(13,489)	1,555
Inventory allowance loss from falling price	1,230	(1,063)	167
Tax loss	28,414	(28,414)	-
Subtotal	52,527	(42,461)	10,066
- Deferred income tax liabilities:			
Unrealized exchange gains	(2,710)	2,710	-
Depreciation expenses and other fiscal and tax differences	(24,221)	24,221	-
Subtotal	(26,931)	26,931	-
Total	$ 25,596	($ 15,530)	$ 10,066

4. The Company's business income tax has been audited and approved by the taxation authority until the year of 2016.
5. The amendments to the Income Tax Act of Taiwan have become effective on February 7, 2018, which amendments raise the profit-seeking enterprise income tax rate from 17% to 20% and are applicable from 2018. The Group has assessed the impact on income tax from such tax rate changes.

(XX) Earnings per share (EPS)

	2018		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 329,820	136,262	$ 2.42
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	329,820	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	1,621	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 329,820	137,883	$ 2.39

	2017		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 727,651	136,262	$ 5.34
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	727,651	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	4,711	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 727,651	140,973	$ 5.16

(XXI) Operating lease

The Group leases machinery and equipment under a business lease, the lease term of which is from 2018 and 2020, with the right to renew the lease at the end of the lease term. Rental expenses of $188,376 and $281,390 were recognized as current profits and losses for the years of 2018 and 2017, respectively. In addition, the total minimum future lease payments due to the non-cancelable contract are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 122,151	$ 83,431
More than 1 year but not more than 5 years	46,680	24,736
	$ 168,831	$ 108,167

(XXII) Additional information regarding cash flows

Investing activities with partial cash payments:

	2018	2017
Purchase of property, plant, and equipment	$ 621,178	$ 78,125
Add: payable on equipment at the beginning of period	54,812	45,156
Less: payable on equipment at the end of the period	(47,404)	(54,812)
Cash paid in the period	$ 628,586	$ 68,469

(XXIII) Changes in financing liabilities

	Short-term loans	Long-term loans (note)	Total liabilities of guarantee deposits	From financing activities
January 1, 2018	$ -	$ 995,305	$ 202	$995,507
Changes in cash flows from financing activities	-	(274,043)	7	(274,036)
Other non-cash changes:				
Impacts of exchange rate changes	-	12,830	-	12,830
Amortization of arranger fees	-	9,177	-	9,177
December 31, 2018	$ -	$ 743,269	$ 209	$743,478

Note: include long-term loans due within one year or one operating cycle.

VII. Related-party transactions

(I) The parent company and the ultimate controlling party

Prior to the date of October 13, 2017, the ultimate controlling party of the Company was Temasek Holding Ltd. Group. Since October 13, 2017, Sigurd Microelectronics Corporation is the ultimate parent company and ultimate controlling party of the Company. The direct holding parent company of the Company is still Bloomeria Ltd.

(II) Name and relation of affiliates

Name of related party	Relationship with the Group
Sigurd Microelectronics Corporation	Ultimate parent company

(III) Major transactions between related parties

1. Operating revenue

	2018	2017
Ultimate parent company	$ 13,663	$ -

Income from labor service is processed according to the general transaction price and conditions, and the payment condition is 30-day monthly statement.

2. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable		
Ultimate parent company	$ 118	$ -

The receivables from related parties mainly come from the provision of labor services. The receivables are unsecured and non-interest bearing. There is no provision for liability reserve for the receivables from related parties.

3. Payables to related parties

	December 31, 2018	December 31, 2017
Other payables - machine rental		
Ultimate parent company	$ 484	$ -

The payables to related parties mainly come from the machine rental provided by the affiliates. The payables are non-interest bearing.

4. Property transactions

Disposal of property, plant, and equipment:

	2018		2017	
	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Ultimate parent company	$ 18,076	$ 7,695	$ -	$ -

5. Other transactions

	Accounting subject	Amount of transaction 2018	2017
Ultimate parent company	Rental receipt	$ 959	$ -
	Rental receipt	$ 230	$ -

(IV) Information about Remunerations to the Major Management:

	2018	2017
Short-term employee benefits	$27,826	$ 72,182
Benefits after retirement	756	558
Total	$28,582	$ 72,740

VIII. Pledged Assets

Assets pledged as collateral by the Group are enumerated as follows:

Assets	Book value December 31, 2018	December 31, 2017	Collateral purpose
Hypothecated time deposits (financial assets account measured at amortized cost - non-current)	$ 19,700	$ -	Customs security
Hypothecated time deposits (accounted to other non-current assets - other)	-	30,234	Customs security
Property, plant, and equipment	1,271,381	1,885,219	Long-term loans
Intangible asset	-	155	Long-term loans

IX. Significant contingent liabilities and unrecognized commitments

(I) The Group has signed a five-year technical service agreement with STATS ChipPAC Ltd. on August 5, 2015, and has retained the capacity of the Group to provide STATS ChipPAC Ltd. with wafer level packaging and testing services for five years from the date of this agreement. As stipulated in the contract:

1. The Group must retain the minimum capacity for STATS ChipPAC Ltd. to provide services timely on a monthly basis; the Group shall provide the services within the range of the existing production capacity that can be adjusted, if STATS ChipPAC Ltd. placed orders that fall between the minimum production capacity and maximum production capacity; the Group is not obligated to provide the services if STATS ChipPAC Ltd.'s order exceeds the maximum capacity of the Group.
2. During the period of the contract, STATS ChipPAC Ltd. shall place an order with

the Group at the agreed minimum purchase quantity for each year at the agreed price, that is, the Group may claim the balance consideration in accordance with the procedures stipulated in the contract for the part of its retained capacity that does not meet the minimum purchase quantity. If STATS ChipPAC Ltd. does not meet the minimum purchase amount, it may exercise the right to defer the minimum purchase amount by 5% to the next year, and provide consideration to the Group for any portion of the deferred purchase amount that does not meet the minimum purchase amount every 12 months from the date of signing the contract. STATS ChipPAC Ltd. may exercise the right to deferred purchase quantity only once a year, and the deferred portion may not be renewed in the following year, and the right cannot be exercised in the last year of the contract.

3. In accordance with the agreement signed by both parties on January 2017, STATS ChipPAC Ltd. agreed to pay the Group a consideration amount of US$30,197,000 for it did not meet the minimum purchase amount for the first contract year (from the date of signing contract to August 4, 2016). The Group recognized the consideration amount as consideration income in the fourth quarter of the year 2016 and the first quarter of the year 2017, of US$15,098,000 ($487,007) and US$15,099,000 ($463,024), respectively, accounted under the subject of other income and expenses and in other composite income sheet respectively.

4. In addition, the minimum purchase amount shall be combined in calculation and the total minimum purchase amount shall remain unchanged as agreed by both parties from the second contract year. The combined minimum purchase amount that STATS ChipPAC Ltd. shall realize for the Group for the next coming four years is as follows:

Currency: US$ 1,000

	The second year	The third year	The fourth year	The fifth year
Minimum purchase amount	$80,800	$75,100	$63,200	$ 51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
	$81,510	$75,385	$66,955	$ 51,400

5. Both parties signed the agreement in November 2017. STATS ChipPAC Ltd. deferred 5% of the minimum purchase quantity for the second year (the second contract year is from August 5, 2016 to August 4, 2017) to the next year in accordance with the contract, and agreed to pay the Group a consideration amount of US$15,694,000 ($467,331) for it did not meet the minimum purchase amount in the second year of the contract. STATS ChipPAC Ltd. has performed payment according to the above agreement and also carried out the related purchase in the

third year in accordance with the contract, therefore the Group's management believed that the payment of compensation income can almost be ascertained, thus the whole value of it was recognized as compensation income (accounted under the subject of other income and net expense of composite income sheet.

6. From August 5, 2017 to August 4, 2018, the amount of combined purchase performed by STATS ChipPAC Ltd. for the third contract year was US$68,555,000 and the minimum purchase amount for the third year of the agreement is deferred to the next year as agreed. The Company has claimed for the balance consideration from STATS ChipPAC Ltd., in accordance with the procedures stipulated in the contract, for it did not meet the minimum purchase amount in the third year of the contract.

   In consideration of the long-term cooperative relationships of both parties, STATS ChipPAC Ltd. proposed to reconcile based on the long-term business interests. The Company also considered its business operations and judgment. The proposed settlement with STATS ChipPAC Ltd. that has been approved by the Board of Directors of the Company on September 20, 2018, is as follows:

   (1) Both parties agree that the technical services agreement shall be extended for another two years (from August 5, 2020 to August 4, 2022) and the combined minimum purchase amount that STATS ChipPAC Ltd. shall perform for the Group in accordance with the future agreement shall be as follows:

   Currency: US$ 1,000

	The sixth year	The seventh year
Minimum purchase amount	$30,000	$ 30,000

   (2) The Group reserves the capacity of US$40 million per contract year for the extended period of two years to STATS ChipPAC Ltd.

   (3) If STATS ChipPAC Ltd. fails to meet the above commitment amount in the current year, the insufficient amount may be postponed to the next year.

   (4) STATS ChipPAC Ltd. agrees to purchase from the Group on a preferential basis during the fourth year of contract.

   (5) Based on the above commercial interests and the long-term cooperative relationship between the two parties, the Group will not claim the difference of US$6,830,000 from STATS ChipPAC Ltd., which is less than the minimum purchase amount for the third year of contract.

   As of March 6, 2019, the above-mentioned reconciliation agreement has not been signed, and the reconciliation is still in the stage of detailed consultation.

7. From August 5, 2018 to December 31, 2018, STATS ChipPAC Ltd. has performed a combined purchase amount of US$17,233,000 for the Company and Winstek in the fourth year of contract.

(II) Capital expenditures contracted but not yet incurred

	December 31, 2018	December 31, 2017
Property, plant, and equipment	$ 105,652	$ 49,605

X. Significant losses from disasters

No.

XI. Material subsequent events

The company adopted the appropriation plan of net income for the year of 2018 by the Board of Directors on March 6, 2019. Please refer to Note VI(XII) for details.

XII. Others

(I) Financial situation

The Group's strategy in the year of 2018 remains the same as that in the year of 2017, with the aim of reducing the debt-to-capital ratio to a reasonable level of risk. As of December 31, 2018 and December 31, 2017, the Group's debt-to-capital ratios were as follows:

	December 31, 2018	December 31, 2017
Total borrowing	$ 743,269	$ 995,305
Less: cash and cash equivalent	(1,275,492)	(849,682)
Net debt	(532,223)	145,623
Total equity	4,574,411	4,310,297
Total capital	$ 4,042,188	$ 4,455,920
Capital and liabilities ratio	-	3.27%

(II) Financial Instruments

1. Types of Financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 1,275,492	$ 849,682
Financial assets measured at amortized cost - current through profit or loss - current	1,458,175	-
Debt instrument investment without active market - current	-	1,341,120
Accounts receivable	751,857	1,108,706
Accounts receivable - related parties	118	-
Other receivables	5,631	441,538
Refundable deposits	3,788	4,481
Financial assets measured at amortized cost - non-current		
Assets - noncurrent	19,700	-
Other non-current assets	-	30,234
	$ 3,514,761	$ 3,775,761

	December 31, 2018	December 31, 2017
Financial liability		
Financial liabilities measured at amortized cost		
Accounts payable	45,925	125,420
Other payables	211,553	330,156
Other accounts payable - related parties	484	-
Long-term loans (including whose due within one year or one operating cycle)	743,269	995,305
Guarantee deposits	209	202
	$ 1,001,440	$ 1,451,083

2. Risk Management Policy

(1) The Board of Directors shall fully take the responsibilities for establishment and supervision of the risk management structure of the Group, and take the responsibilities for development and control of the risk management policies of the Group.

(2) The risk management policy of the Group is established to identify and analyze risks encountered by the Group, set appropriate risk limits and control, and supervise the compliance of risks and risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Group's operations. The Group, through its training and management standards and procedures, aims to develop a

disciplined and constructive control environment in which all employees understand their roles and obligations.

(3) The Audit Committee of the Group shall supervise the management to monitor the compliance of the Group's risk management policies and procedures, and review the appropriateness of the Group's relevant management framework for the risks encountered. Internal auditors assist the Group's audit committee in a supervision role. These officers conduct review on risk management controls and procedures and report the review results to the Audit Committee.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

A. The functional currency of the Company is New Taiwan Dollar and the functional currency of the subsidiary is United States Dollar. Therefore, the information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 12,077	30.715	$ 370,945
NT$:US$	670,582	0.033	670,582
Financial liability			
Monetary items			
NT$:US$	$ 543,269	0.033	$ 543,269

	December 31, 2017		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 37,102	29.76	$ 1,104,156
NT$:US$	66,738	0.034	66,738
Financial liability			
Monetary items			
US$:NT$	$ 162	29.76	$ 4,821
NT$:US$	200,105	0.034	200,105

B. The monetary items of the Group have been recognized and disclosed in the aggregate amounts of US$4,740 and $105,589 respectively in the years of 2018 and 2017 due to the significant influence of exchange rate fluctuations.

C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	2018		
	Sensitivity analysis		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 3,709	$ -
NT$:US$	1%	6,706	-
Financial liability			
Monetary items			
NT$:US$	1%	($ 5,433)	$ -

	2017		
	Sensitivity analysis		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 11,042	$ -
NT$:US$	1%	667	-
Financial liability			
Monetary items			
US$:NT$	1%	($ 48)	$ -
NT$:US$	1%	(2,001)	-

Cash flow interest rate risk and fair value interest rate risk

The Group's short-term borrowing is measured at amortized cost and is subject to an annual fixed interest rate as agreed in the contract, so the Group is not exposed to future market rate changes.

(2) Credit risk

A. The Group's credit risk is the risk of financial loss to the Group due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, which are mainly resulted from the failure of the counterparty to pay off accounts receivable payable on the terms of collection, and the contractual cash flow of the debt instrument investment classified as amortized cost.

B. The Group establishes credit risk management from the Group's perspective. In accordance with internally defined credit policies, risk management and credit risk analysis shall be carried out prior to the setting of terms and conditions of payment and delivery. The internal risk control assesses customers’ credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are based on internal or external ratings, and the use of credit limits is regularly monitored.

C. In accordance with the credit risk management procedures, the Group shall deem the contract to have been breached, if the counterparty fails to make payment in accordance with the agreed payment terms within a certain period.

D. The Group's categorizes customers' accounts receivable and contract assets according to the characteristics of customer ratings, using a simplified approach to estimate expected credit losses based on a reserve matrix.

E. The indicators used by the Group to determine credit impairment on debt instrument investments are as follows:

  (A) The possibility of the issuer experiencing material financial difficulties or entering into bankruptcy or other financial restructuring increases;

  (B) The loss of the active market for the financial assets by the issuer due to financial difficulties;

  (C) Delay or non-payment of interest or principal by the issuer;

  (D) Adverse changes in national or regional economic conditions that result in a default by issuer.

F. The Group mainly provides specific customers with semiconductor wafer packaging and testing services. Therefore, the Group assesses the credit risk of individual customers, adjusts loss rate according to the specific historical and current information, in consideration of future prospects, so as to estimate the loss allowance on accounts receivable. On December 31, 2018, as a result of assessment, the expected shortfall rate was between 0% and 1%.

G. Changes in loss allowance for accounts receivables using the simplified approach are as follows:

Accounts receivable	2018
January 1_IAS 39	$ -
Adjustments under new standards	-
January 1_IAS 39	-
Provision of impairment loss	-
December 31	$ -

H. Please refer to Note XII(IV) for credit risk information for the year of 2017.

(3) Liquidity risk

A. The details of the Group's undrawn borrowing facilities are as follows:

	December 31, 2018	December 31, 2017
Fixed interest rate		
Due within 1 year	$ 860,430	$ 708,520
Due for more than 1 year	1,699,999	-
	$ 2,560,429	$ 708,520

B. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities, and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 45,925	$ -	$ -	$ -
Other payables	211,553	-	-	-
Other payables - related parties	484	-	-	-
Total liabilities of guarantee deposits	-	-	-	209
Long-term loans (including those due within one year or one business circle)	36,090	80,747	248,579	407,880

December 31, 2017	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 125,420	$ -	$ -	$ -
Other payables	330,156	-	-	-
Corporate bonds payable	-	-	-	-
Liabilities of preferred stock	-	-	-	-
Total liabilities of guarantee deposits	-	-	-	202
Long-term loans (including those due within one year or one business circle)	377,065	646,904	-	-

(III) Fair value information:

The Group does not have financial instruments measured at fair value.

(IV) Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017

1. The material accounting policies adopted in the year 2017 are described as follows:

(1) Loans and receivables

A. Accounts receivable

The term "accounts receivable" refers to the original loans and receivables generated in connection with the sale of commodity or the provision of services in the normal course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term receivables without interest payment, given insignificant effects of their discount, are subsequently measured at the invoice price.

B. Debt instrument investment without active market

(A) It refers to loans and receivables not originated by the entity, such as bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

a. Not classified as measured at fair value through profit and loss.

b. Not designated for sale.

c. The holder may not be able to recover nearly all of the original investment due to factors other than deterioration of credit.

(B) Investments in debt instruments (that comply with regular way of purchase or sale) without active market are recognized and derecognized using trade date accounting.

(C) At the time of original recognition, it is measured at the fair value plus transaction costs of the trade day, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of discounts or premium under the effective interest method is recognized in profit or loss.

(D) The debt instrument investment without active market held by the Group are time deposits that do not meet criteria for cash equivalents. As such assets are held for short periods, the impact of cash discount is immaterial and they are measured based on the original investment amounts.

(2) Impairments of financial assets

A. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events (loss events) that has occurred after the initial recognition of the asset and that the impact from those loss events on the estimated future cash flows of the financial assets can be estimated reliably.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower's financial difficulty;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of the active market for the financial asset as a result of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows in accordance with the category of financial assets:

Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The reconciliation of financial assets book value prepared under IAS 39 since December 31, 2017 is transferred to the amount under IFRS 9 starting from January 1, 2018 is stated as follows:

	Held-to-maturity Measured at amortized cost	Debt instrument without active market	Other non-current assets	Total	Impact: Retained earnings	Impact: Other equity
IAS39	$ -	$ 1,341,120	$30,234	$ 1,371,354	$ -	$ -
Transferred-in as measured at amortized cost	1,371,354	(1,341,120)	(30,234)	-	-	-
IFRS9	$ 1,371,354	$ -	$ -	$ 1,371,354	$ -	$ -

Debt instruments amounting to NT$1,371,354 fell under IAS 39 "Debt Instruments without Active Market" and "Other Non-current Assets." As the cash flows met the condition that they are intended to settle the principal and interest on the outstanding principal balance, and the Group held those instruments to collect contractual cash flows, they were reclassified as "Financial Assets Measured at Amortized Cost" of NT$1,371,354 upon initial application of IFRS 9.

3. The important accounting items as at December 31, 2017 are described below:

Debt instrument investment without active market

Item	December 31, 2017
Current items:	
Time deposits	$ 1,341,120

The Group's debt instrument investment without active market as of December 31, 2006 were not pledged as collateral.

4. The credit risk information as at December 31, 2017 is as follows:

(1) Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. It is mainly derived from cash and cash equivalents, financial commodities such as debt instrument investment without active market, receivables, etc. The carrying amount of financial assets represents the maximum credit exposure amount, and the maximum credit exposure amount as of December 31, 2017 was $3,771,280.

(2) As of December 31, 2017, the Group's cash and debt instrument investment without active market at two domestic financial institutions accounted for 83% of the subjects' balance, causing the situation of credit risk concentration, however due to good credit standing of the two institutions, no significant credit risk loss is expected.

(3) As of December 31, 2017, 92% of accounts receivable were made up of four customers. To reduce credit risk, the Group regularly assess the financial status of these customers and the possibility of account receivable recovery. These customers are companies with good credit standing and the Group does not expect to incur significant credit risk losses due to these key customers.

(4) The aging analysis information of the Group's overdue but unimpaired financial assets is as follows:

	December 31, 2017
Accounts receivable	
Within 30 days	$ 192,398
31-90 days	397,205
91-180 days	5,660
	$ 595,263

(5) The annual allowance for bad debts of accounts receivable 2017 of the Group is as follows:

	Impairment loss by individual assessment	Impairment losses by group assessment	Total
January 1/December 31	$ -	$ -	$ -

(V) Impacts of the initial application of IFRS 15 and information on the application of IAS 18 in the year of 2017

1. The material accounting policies for revenue recognition adopted in the year of 2017 are described below:

   Revenue from rendering of services

   The Group provides semiconductor testing and packaging services to customers. The income generated by labors provided is subject to the transaction conditions of testing and packaging or delivery. Most of the earned income has been completed and labor income has been realized or can be realized.

2. The Group shall apply the foregoing accounting policies in year 2017 and shall recognize the following revenues:

	2017
labor services income	$ 2,842,923

3. If the Group continues to apply the above accounting policies in year 2018, the influence on the current balance sheet and combined profit and loss items is as follows:

			December 31, 2018	
Balance sheet item details	Details	The balance recognized by adopting IFRS 15	The recognized balance by adopting the original accounting policy	Impacts of changes in accounting policies
Contract assets		$ 13,161	$ -	$ 13,161

			2018	
Composite income sheet items	Details	The balance recognized by adopting IFRS 15	The recognized balance by adopting the original accounting policy	Impacts of changes in accounting policies
Operating revenue		$ 2,869,643	$ 2,865,765	$ 3,878

XIII. Additional disclosure

(I) Information about significant transactions:

1. Loans to others: Please refer to Appendix Table 1.
2. Endorsements and guarantees: Please refer to Appendix Table 2.
3. Marketable securities held (excluding investments in subsidiaries, affiliates, and jointly control identities): None
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None
7. The amount of purchase and sales with related parties amounts to NT$100 million or more than 20% of the paid-up capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent company and its subsidiaries and their subsidiaries, and the status and amount of important transactions: no.

(II) Information on reinvestment

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): please refer to attached table III for details.

(III) Information on investment in mainland china

No.

XIV. Segment information

(I) General information:

There are two reporting divisions in the Group: Testing Division and Packaging Division.

(II) Measurement of segment information

The Group has apportioned its non-recurring profit and loss to the reporting department. In addition, all reported department profits and losses include significant non-cash items other than depreciation and amortization. The amount of departmental information reported is consistent with the amount used by operational decision makers. The accounting policies of the operating departments are the same as the important accounting policies of the Group. The Group's operating departments' profit and loss are measured by sales income and net profit before tax, and serve as the basis for assessing the performance of the departments.

(III) Information on segment profit or loss, and assets and liabilities

The financial information of reportable segments provided to chief operating decision maker is as follows:

2018	Testing business segment	Packaging business segment	Adjustment and elimination	Total
External revenue	$ 1,085,489	$ 1,784,154	$ -	$ 2,869,643
Depreciation and amortization expenses	$ 174,207	$ 501,578	$ -	$ 675,785
Segment Income	$ 292,366	$ 143,474	$ -	$ 435,840
Segment assets	$ 1,826,776	$ 3,972,893	($ 19,658)	$ 5,780,011
Segment assets - capital expenditures	$ 213,448	$ 407,730	$ -	$ 621,178

2017	Testing business segment	Packaging business segment	Adjustment and elimination	Total
External revenue	$ 1,020,772	$ 1,822,151	$ -	$ 2,842,923
Depreciation and amortization expenses	$ 186,323	$ 671,358	$ -	$ 857,681
Segment Income	$ 731,284	$ 359,973	$ -	$ 1,091,257
Segment assets	$ 2,317,235	$ 3,776,300	($ 50,763)	$ 6,042,772
Segment assets - capital expenditures	$ 11,557	$ 66,568	$ -	$ 78,125

(IV) Information by product and service:

Please refer to Note VI(XIII) for details.

(V) Geographical information:

The geographical information of the Group for 2018 and 2017 is as follows:

	2018		2017	
	Income	Non-current assets	Income	Non-current assets
Singapore	$ 1,725,554	$ -	$ 1,735,727	$ -
Taiwan	861,680	2,104,964	988,392	2,124,517
USA	278,844	-	114,918	-
Malaysia	412	-	3,010	-
Other	3,153	-	876	-
Total	$ 2,869,643	$ 2,104,964	$ 2,842,923	$ 2,124,517

(VI) Major customer information

Information on major customers of the Group for 2018 and 2017 is as follows:

	2018	2017
	Income	Income
Customer D	$ 1,755,261	$ 1,731,092
Customer A	447,203	563,995
	$ 2,202,464	$ 2,295,087

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Capital Loan to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 1

Number (Note 1)	Lender	Borrower	Accounting subjects involved (Note 2)	Whether both parties are affiliated	Maximum amount for current period (Note 3)	Ending balance (Note 8)	Actual amount drawn	Interest range	Nature of capital loan (Note 4)	Amount of business transactions (Note 5)	Reason for requiring short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral (security)		Maximum loan amount for individual borrower (Note 7)	Maximum total capital loan amount (Note 7)	Note
													Name	Value			
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	-	Yes	$ 1,366,109	$ -	$ -	1%	2	$ -	Operating turnover	$ -	None	$ -	$ 1,372,323	$ 1,372,323	

Note 1: The description of the number column is as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: The accounting subjects including amount receivable from affiliates, amount receivable from related parties, shareholders' transactions, advance payments, suspense payments, etc.; in the case the loan is of capital nature, this field shall be filled.

Note 3: The maximum balance of funds loaned to others in the current year.

Note 4: The nature of capital loan shall be listed as business transactions or necessary for short-term financing.

Note 5: If the nature of capital loan is of business transactions, the amount of business transactions shall be filled in. The amount of business transactions refers to the amount of business transactions between the Company and the borrower in the most recent year.

Note 6: If the nature of capital loan requires short-term financing, the reasons for the necessity of loan and the borrower's purpose of loaning, such as repayment of loan, purchase of equipment and operating turnover, shall be specified...Etc.

Note 7: The total capital loan amount of the Company shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. The amount of the Company's funds loaned to individual borrower shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 8: If a public company submits specific transactions of the capital loan to the Board of Directors for resolution, in accordance with Paragraph 1, Article 14 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the Regulations), the amount resolved shall be included in the announced balance to expose its risk undertaking, although no appropriation has been made.
However, in the event of subsequent capital repayments, the balance after the repayments shall be disclosed to reflect the adjustment of risk. If a public company authorizes the Chairman by resolution of the Board of Directors in accordance with Paragraph 2, Article 14 of the Regulations to make appropriation of loans in installments or revolving loan of a certain amount within one year, in consideration of the possibility of re-appropriation, the company still shall take the capital loan and amount approved by the Board of Directors as the balance declared in the public announcement, even the capital may be repaid subsequently.

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Endorsement/guarantee to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 2

Number (Note 1)	The name of the company that provides endorsement/guarantee	The object receiving endorsement/guarantee: Name of company	The object receiving endorsement/guarantee: Relationship (Note 2)	Maximum amount of endorsement/guarantee for a single enterprise (Note 3)	Maximum balance of endorsement/guarantee for the current period (Note 4)	Balance of endorsement/guarantee at the end of current period (Note 5)	Actual amount drawn (Note 6)	Amount of endorsement/guarantee guaranteed with property	Percentage of aggregated amount of endorsement/guarantee with the net value in the most recent financial reports	Maximum amount of endorsement/guarantee (Note 3)	A parent company provides endorsement/guarantee for its subsidiary (Note 7)	A subsidiary provides endorsement/guarantee for its parent company (Note 7)	The endorsement/guarantee involves Mainland China (Note 7)	Note
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	2	$ 4,574,411	$ 1,500,000	$ 1,500,000	$ 450,000	$ -	32.79%	$ 4,574,411	Y	N	N	

Note 1: The description of the number column is as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: Please indicate the relationship between the provider of endorsement/guarantee and the object of endorsement/guarantee, which can be classified into the following six categories:
(1) Companies which are doing business with each other.
(2) Companies of which the Company directly or indirectly holds more than 50% of the voting shares.
(3) Companies of which directly or indirectly hold more than 50% of the voting shares in the Company.
(4) Among companies of which the Company directly or indirectly holds more than 90% of the voting shares.
(5) Companies in the same industry that endorse/guarantee for each other due to the need to contract project; or companies which are endorsed/guaranteed mutually by the same founders under provision of contract.
(6) Companies which are endorsed/guaranteed by all shareholders based on their shareholding percentage due to joint investment.
(7) In accordance with the consumer protection law, Companies in the same industry who perform housing pre-sale contract, are jointly and severally endorsed/guaranteed.

Note 3: The total amount of the Company's external endorsement/guarantee shall not exceed 50% of the Company's most recent net value. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 20% of the net value at the time when the company endorses/guarantees.
However, an endorsement/guarantee between the Company and among companies of which the Company directly or indirectly holds 100% of the voting shares, or other companies that the Company has agreed to purchase and upon completion will become a subsidiary of which the Company directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise.
However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. In addition, the endorsement/guarantee not between the Company and among companies of which the Company directly or indirectly holds 100% voting shares,
the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 4: The maximum balance of endorsement/guarantee for others in the current year.

Note 5: By the end of the year, Chu Fan Company shall undertake the obligation of endorsement/guarantee when the amount of endorsement/guarantee contract/bill signed by it to the bank is approved; Other relevant endorsements/guarantees shall be accounted in the balance of endorsements/guarantees.

Note 6: The actual amount drawn by the company endorsed/guaranteed within the balance of the endorsement/guarantee shall be filled here.

Note 7: To be filled if a listed/OTC parent company provides endorsement/guarantee for its subsidiary, or if a subsidiary provides endorsement/guarantee for its listed/OTC parent company; "Y" shall be filled in if the endorsement/guarantee involves Mainland China.

Winstek Semiconductor Co., Ltd. and Subsidiaries
Name, Location, and Other Relevant Information of the Investee Companies (excluding Investee Companies in Mainland China)
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 3

Name of investing company	Name of the investee company (Notes 1, 2)	Location	Main business items	Original investment amount		Holding at the end of period			Profit and loss of investee company in the current period (Note 2(2))	Investment gains and losses recognized in the current period (Note 2(3))	Note
				At the end of this period	At the end of last year	Number of shares	Ratio	Carrying amount			
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Wafer bumping and wafer level packaging services	$ 2,875,740	$ 2,125,740	310,000,000	100%	$ 3,271,369	$ 120,002	$ 120,002	

Note 1: If a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information about the foreign investee may only include the relevant information of the holding company.

Note 2: In cases other than those described in Note 1, the following information shall be provided:

(1) The columns of "Name of the investee company", "Location", "Main business items", "Original investment amount" and "Shareholding at the end of period", etc., shall be filled in in order according to the reinvestment situation of the (public) company and each reinvestment situation of the investee company under direct or indirect control. The relationship between each investee company and the (public) company (if it is a subsidiary or sub-subsidiary) shall be indicated in the remarks column.

(2) In the column B of "Profit and loss of investee company in the current period", the current profit and loss amount of each investee shall be filled in.

(3) In the column B of "investment gains and losses recognized in the current period", only the recognized profit and loss amount of each directly reinvested subsidiary of this (public) Company and each investee assessed by equity method shall be filled in, and the balance is not required to be filled in. When filling in "recognized profit and loss amount of each directly reinvested subsidiary for the current period", it shall be confirmed that the amount of profit and loss of each subsidiary for the current period has included the reinvestment profit and loss that should be recognized as investment profit and loss according to provisions.