

**TAIWAN SURFACE MOUNTING
TECHNOLOGY CORP.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND REPORT OF INDEPENDENT
ACCOUNTANTS
DECEMBER 31, 2018 AND 2017**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of Taiwan Surface Mounting Technology Corp.

Opinion

We have audited the accompanying parent company only balance sheets of Taiwan Surface Mounting Technology Corp. (the “Company”) as at December 31, 2018 and 2017, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as at December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years then ended in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”.

Basis for opinion

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the parent company only Financial Statements section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the parent company only financial statements of the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for Company's parent company only financial statements of the current period are stated as follows:

Valuation of allowance for inventory valuation losses

Description

For a description of the accounting policy on inventory valuation, please refer to Note 4(10); for accounting estimates and assumption uncertainty in relation to inventory valuation, please refer to Note 5(2); and for information on the allowance for inventory valuation losses, please refer to Note 6(4).

As of December 31, 2018, the Company's inventories and allowance for inventory valuation losses amounted to NT\$514,890 thousand and NT\$39,877 thousand, respectively. The Company is primarily engaged in designing, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging. In addition, the Company also manufactured made-to-order products. Most of the customers designated the Company to purchase and process materials, which were needed to manufacture the electronic products. Taking into consideration that those products have short life spans and are affected by the fluctuating market price of TFT-LCD panels, there is a higher risk of inventory losses due to market value decline or obsolescence. Inventories are stated at the lower of cost and net realisable value. The net realisable value which was used in the individual identification and valuation of allowance for inventory valuation losses, involved subjective judgment and uncertainty of estimation. The Company's inventory and allowance for inventory valuation losses are significant to the financial statements, as well as being significant to the Company's subsidiaries, which is recognised as investments accounted for using equity method, we identified inventory valuation loss as a key audit matter.

How our audit addressed the matter

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

- A. Assessed the reasonableness of policies and procedures related to the provision of allowance for inventory valuation losses based on our understanding of the Company's operations and the characteristics of its industry.
- B. Understood the Company's warehousing control procedures. Reviewed the annual physical inventory count plan and participated in the annual inventory count in order to assess the effectiveness of the classification of obsolete inventory and internal control over obsolete inventory.

- C. Verified whether the inventory aging report that were used to assess obsolete and slow-moving inventories was correct, including changes in inventories being classified according to inventory aging.
- D. Checked the appropriateness of the estimation basis adopted by the Company for the evaluation of net realisable value, verified accuracy of inventory selling and purchase prices and recalculated and evaluated the reasonableness of allowance for inventory valuation losses.

Subsidiaries accounted for using equity method-fair value measurement of investments in unlisted stocks without active market

Description

Please refer to Note 4(11) for accounting policy on investments accounted for using equity method, and Note 6(5) for details of share of other comprehensive income of subsidiaries accounted for using equity method.

Unlisted stocks without active market held by the Company's 100% held subsidiary accounted for using equity method, Taiwan Surface Mounting Technology (B.V.I.) Co. Limited, were recorded in financial assets at fair value through other comprehensive income. The fair value of those financial assets was measured by external appraisers appointed by management. Assessment made by external experts includes the selection of measurement method, the market price information of comparable companies used in valuation model and the discount under the market liquidity and the specified risk. Since the fair value measurement of investments in unlisted stock without active market involved subjective judgment and uncertainty of estimation, and is significant to the Company's investments accounted for using equity method, we determined fair value measurement of investment in unlisted stock without active market as a key audit matter.

How our audit addressed the matter

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

- A. We understood and assessed relevant policies and valuation process on the fair value measurement of unlisted stock without active market;
- B. We assessed the independence, objectivity and competence of external appraisers.

- C. We assessed whether external appraisers adopted an adequate measurement method and valuation model which were commonly adopted in the same industry; and
- D. We assessed the reasonableness of assumptions on comparable companies and parameters setting, including the relevance and reliability of business nature and financial information between comparable companies and the company being valued, and reviewed relevant basic data and corroborating documents.
- E. We assessed the sensitivity analysis of inputs prepared by external appraisers, and confirming whether management has adequately managed the possible impact on the estimation uncertainty.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers”, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including supervisors, are responsible for overseeing the Company’s financial reporting process.

Independent accountant’s responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

CHIU, CHAO-HSIEN

LEE, HSIU-LING

For and on behalf of PricewaterhouseCoopers, Taiwan

March 22, 2019

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Assets	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current assets						
1100	Cash and cash equivalents	6(1)	\$ 326,508	2	\$ 289,542	2
1110	Financial assets at fair value	6(2)				
	through profit or loss - current		-	-	253	-
1170	Accounts receivable, net	6(3)	1,030,291	5	832,339	5
1180	Accounts receivable - related	7				
	parties		3,223	-	4,352	-
1200	Other receivables		185,580	1	5,495	-
1210	Other receivables - related parties	7	134,897	1	72,421	-
130X	Inventories	6(4)	475,013	2	210,240	1
1410	Prepayments		149,317	1	28,700	-
11XX	Total current assets		<u>2,304,829</u>	<u>12</u>	<u>1,443,342</u>	<u>8</u>
Non-current assets						
1517	Financial assets at fair value					
	through other comprehensive					
	income - non-current		-	-	-	-
1523	Available-for-sale financial assets					
	- non-current		-	-	-	-
1550	Investments accounted for under	6(5)				
	equity method		14,785,943	80	15,236,310	87
1600	Property, plant and equipment	6(6)	1,051,415	6	804,131	5
1840	Deferred income tax assets	6(19)	27,226	-	25,187	-
1920	Guarantee deposits paid		3,745	-	3,745	-
1990	Other non-current assets, others		278,126	2	15,189	-
15XX	Total non-current assets		<u>16,146,455</u>	<u>88</u>	<u>16,084,562</u>	<u>92</u>
1XXX	Total assets		<u>\$ 18,451,284</u>	<u>100</u>	<u>\$ 17,527,904</u>	<u>100</u>

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity	Notes	December 31, 2018		December 31, 2017		
		AMOUNT	%	AMOUNT	%	
Current liabilities						
2100	Short-term borrowings	6(7)	\$ 2,856,437	16	\$ 3,170,000	18
2150	Notes payable		5,028	-	6,706	-
2170	Accounts payable		1,119,646	6	628,337	4
2180	Accounts payable - related parties	7	242,050	1	260,090	2
2200	Other payables		250,148	2	179,334	1
2220	Other payables - related parties	7	602,334	3	600,834	3
2230	Current income tax liabilities	6(19)	49,683	-	21,687	-
2310	Advance receipts		2,089	-	2,023	-
2399	Other current liabilities, others		4,592	-	5,086	-
21XX	Total current liabilities		<u>5,132,007</u>	<u>28</u>	<u>4,874,097</u>	<u>28</u>
Non-current liabilities						
2540	Long-term borrowings	6(8)	500,000	3	500,000	3
2570	Deferred income tax liabilities	6(19)	1,022,901	5	1,020,739	6
2640	Net defined benefit liability - non-current	6(9)	61,413	-	62,239	-
2645	Guarantee deposits received		30	-	30	-
2650	Credit balance of investments accounted for using equity method	6(5)	153,792	1	87,065	-
25XX	Total non-current liabilities		<u>1,738,136</u>	<u>9</u>	<u>1,670,073</u>	<u>9</u>
2XXX	Total Liabilities		<u>6,870,143</u>	<u>37</u>	<u>6,544,170</u>	<u>37</u>
Equity						
Share capital						
3110	Share capital - common stock	6(10)	2,923,984	16	2,953,984	17
Capital surplus						
3200	Capital surplus	6(11)	2,529,156	14	2,569,764	15
Retained earnings						
3310	Legal reserve	6(12)	1,338,344	7	1,261,253	7
3320	Special reserve		1,008,812	5	300,000	2
3350	Unappropriated retained earnings		4,308,752	23	4,691,498	27
Other equity interest						
3400	Other equity interest		(527,907)	(2)	(708,812)	(4)
3500	Treasury share	6(10)	-	-	(83,953)	(1)
3XXX	Total equity		<u>11,581,141</u>	<u>63</u>	<u>10,983,734</u>	<u>63</u>
Significant contingent liabilities and unrecognised contract commitments						
Significant events after the balance sheet date						
3X2X	Total liabilities and equity		<u>\$ 18,451,284</u>	<u>100</u>	<u>\$ 17,527,904</u>	<u>100</u>

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	Year ended December 31				
		2018		2017		
		AMOUNT	%	AMOUNT	%	
4000	Operating revenue	6(13) and 7	\$ 3,341,227	100	\$ 2,666,666	100
5000	Operating costs	6(4)(17)(18) and 7	(3,002,792)	(90)	(2,543,164)	(95)
5900	Gross profit		<u>338,435</u>	<u>10</u>	<u>123,502</u>	<u>5</u>
	Operating expenses	6(17)(18)				
6100	Selling expenses		(45,598)	(1)	(32,552)	(2)
6200	General and administrative expenses		(202,475)	(6)	(213,981)	(8)
6300	Research and development expenses		(31,014)	(1)	(31,803)	(1)
6000	Total operating expenses		<u>(279,087)</u>	<u>(8)</u>	<u>(278,336)</u>	<u>(11)</u>
6900	Operating profit (loss)		<u>59,348</u>	<u>2</u>	<u>(154,834)</u>	<u>(6)</u>
	Non-operating income and expenses					
7010	Other income	6(14) and 7	76,187	2	98,743	4
7020	Other gains and losses	6(15)	27,490	1	(23,040)	(1)
7050	Finance costs	6(16)	(31,100)	(1)	(40,759)	(2)
7070	Share of loss of subsidiaries, associates and joint ventures accounted for using equity method	6(5)				
			<u>703,125</u>	<u>21</u>	<u>871,703</u>	<u>33</u>
7000	Total non-operating income and expenses		<u>775,702</u>	<u>23</u>	<u>906,647</u>	<u>34</u>
7900	Profit before income tax		<u>835,050</u>	<u>25</u>	<u>751,813</u>	<u>28</u>
7950	Income tax (expense) benefit	6(19)	(50,047)	(1)	19,094	1
8000	Profit for the year from continuing operations		<u>785,003</u>	<u>24</u>	<u>770,907</u>	<u>29</u>
8200	Profit for the year		<u>\$ 785,003</u>	<u>24</u>	<u>\$ 770,907</u>	<u>29</u>
	Other comprehensive income, net					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Gains (losses) on remeasurements of defined benefit plans	6(9)	\$ 827	-	(\$ 10,706)	-
8330	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	6(5)				
			<u>(129,178)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>
8310	Components of other comprehensive income that will not be reclassified to profit or loss		<u>(128,351)</u>	<u>(4)</u>	<u>(10,706)</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss					
8361	Currency translation differences	6(5)	310,083	9	(1,035,571)	(39)
8362	Unrealised gains (losses) on valuation of available-for-sale financial assets		-	-	(7,500)	-
8380	Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	6(5)				
			<u>-</u>	<u>-</u>	<u>(19,463)</u>	<u>(1)</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss		<u>310,083</u>	<u>9</u>	<u>(1,062,534)</u>	<u>(40)</u>
8300	Other comprehensive income (loss), net		<u>\$ 181,732</u>	<u>5</u>	<u>(\$ 1,073,240)</u>	<u>(40)</u>
8500	Total comprehensive income (loss) for the year		<u>\$ 966,735</u>	<u>29</u>	<u>(\$ 302,333)</u>	<u>(11)</u>
	Basic earnings per share	6(20)				
9750	Total basic earnings per share		<u>\$ 2.68</u>		<u>\$ 2.64</u>	
	Diluted earnings per share	6(20)				
9850	Total diluted earnings per share		<u>\$ 2.67</u>		<u>\$ 2.62</u>	

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	Retained earnings					Other equity interest			Treasury share	Total equity
		Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Exchange differences on translation of foreign financial statements	Unrealised gain (loss) on financial assets measured at fair value through other comprehensive income	Unrealized gain (loss) on available-for-sale financial assets		
<u>2017</u>											
Balance at January 1, 2017		\$ 2,953,984	\$ 2,569,697	\$ 1,204,128	\$ 300,000	\$ 4,294,998	\$ 472,410	\$ -	(\$ 118,688)	(\$ 83,953)	\$ 11,592,576
Profit for the year		-	-	-	-	770,907	-	-	-	-	770,907
Other comprehensive income (loss) for the year		-	-	-	-	(10,706)	(1,035,571)	-	(26,963)	-	(1,073,240)
Total comprehensive income (loss) for the year		-	-	-	-	760,201	(1,035,571)	-	(26,963)	-	(302,333)
Appropriation and distribution of 2016 retained earnings:	6(12)										
Legal reserve		-	-	57,125	-	(57,125)	-	-	-	-	-
Cash dividends		-	-	-	-	(292,398)	-	-	-	-	(292,398)
Unclaimed dividends that were past due	6(11)	-	67	-	-	-	-	-	-	-	67
Changes in equity of associates accounted for under equity method	6(5)	-	-	-	-	(14,178)	-	-	-	-	(14,178)
Balance at December 31, 2017		\$ 2,953,984	\$ 2,569,764	\$ 1,261,253	\$ 300,000	\$ 4,691,498	(\$ 563,161)	\$ -	(\$ 145,651)	(\$ 83,953)	\$ 10,983,734
<u>2018</u>											
Balance at January 1, 2018		\$ 2,953,984	\$ 2,569,764	\$ 1,261,253	\$ 300,000	\$ 4,691,498	(\$ 563,161)	\$ -	(\$ 145,651)	(\$ 83,953)	\$ 10,983,734
Effects of retrospective application	12(4)	-	-	-	-	(2,555)	-	(145,651)	145,651	-	(2,555)
Balance at January 1, 2018 after adjustments		2,953,984	2,569,764	1,261,253	300,000	4,688,943	(563,161)	(145,651)	-	(83,953)	10,981,179
Profit for the year		-	-	-	-	785,003	-	-	-	-	785,003
Other comprehensive income (loss) for the year		-	-	-	-	827	310,083	(129,178)	-	-	181,732
Total comprehensive income (loss) for the year		-	-	-	-	785,830	310,083	(129,178)	-	-	966,735
Appropriation and distribution of 2017 retained earnings:	6(12)										
Legal reserve		-	-	77,091	-	(77,091)	-	-	-	-	-
Special reserve		-	-	-	708,812	(708,812)	-	-	-	-	-
Cash dividends		-	-	-	-	(380,118)	-	-	-	-	(380,118)
Unclaimed dividends that were past due	6(11)	-	51	-	-	-	-	-	-	-	51
Changes in equity of associates accounted for under equity method	6(5)(11)	-	13,294	-	-	-	-	-	-	-	13,294
Retirement of treasury share	6(10)(11)	(30,000)	(53,953)	-	-	-	-	-	-	83,953	-
Balance at December 31, 2018		\$ 2,923,984	\$ 2,529,156	\$ 1,338,344	\$ 1,008,812	\$ 4,308,752	(\$ 253,078)	(\$ 274,829)	\$ -	\$ -	\$ 11,581,141

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Profit before tax		\$ 835,050	\$ 751,813
Adjustments			
Adjustments to reconcile profit (loss)			
Gain on valuation of financial assets at fair value through profit or loss		-	(253)
Depreciation expense	6(6)	71,121	76,646
Share of profit of subsidiaries and associates accounted for under equity	6(5)	(703,125)	(871,703)
Gain on disposal of investments accounted for using equity method	6(5)(15)	-	(17,882)
Loss on disposal of property, plant and equipment	6(15)	3,066	-
Interest income	6(14)	(4,563)	(1,329)
Interest expense	6(16)	31,100	40,759
Impairment loss on investments accounted for using equity method	6(5)	7,222	42,973
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss		253	-
Accounts receivable, net		(198,201)	510,820
Accounts receivable - related parties		1,129	(131)
Other receivables		(180,085)	765
Other receivables - related parties		(62,476)	42,529
Inventories		(264,773)	40,574
Prepayments		(120,617)	7,119
Other current assets, others		-	2
Changes in operating liabilities			
Notes payable		(1,678)	4,686
Accounts payable		491,309	(534,746)
Accounts payable - related parties		(18,040)	184,086
Advance receipts		66	2,023
Other payables		61,580	(22,046)
Other current liabilities, others		(495)	3,172
Accrued pension liabilities		2	3
Cash (outflow) inflow generated from operations		(52,155)	259,880
Interest received		4,563	1,329
Dividends received	6(5)	237,330	429,008
Interest paid		(30,587)	(39,909)
Income taxes paid		(21,928)	(59,504)
Net cash flows from operating activities		<u>137,223</u>	<u>590,804</u>

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

	Notes	2018	2017
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Acquisition of investments accounted for using equity method	6(5)	(\$ 292,440)	(\$ 139,990)
Proceeds from capital reduction of investments accounted for using equity method	6(5)	1,460,000	-
Acquisition of property, plant and equipment	6(21)	(305,435)	(26,440)
Proceeds from disposal of property, plant and equipment		5,021	764
Increase in refundable deposits		-	(1,480)
Increase in other non-current assets		(275,273)	(9,581)
Net cash flows from (used in) investing activities		<u>591,873</u>	<u>(176,727)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
Increase in short-term borrowings		4,936,437	3,570,000
Decrease in short-term borrowings		(5,250,000)	(4,550,000)
Increase in other payables to related parties		1,500	277,568
Proceeds from long-term borrowings		500,000	500,000
Repayments of long-term borrowings		(500,000)	-
Cash dividends paid	6(12)	(380,118)	(292,398)
Unclaimed dividends that were past due	6(11)	51	67
Net cash flows used in financing activities		<u>(692,130)</u>	<u>(494,763)</u>
Net increase (decrease) in cash and cash equivalents		36,966	(80,686)
Cash and cash equivalents at beginning of year		<u>289,542</u>	<u>370,228</u>
Cash and cash equivalents at end of year		<u>\$ 326,508</u>	<u>\$ 289,542</u>

The accompanying notes are an integral part of these parent company only financial statements.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS,
EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANISATION

A. Taiwan Surface Mounting Technology Corp. (the “Company”) was incorporated as a company in March 1990. The Company is primarily engaged in designing, processing, manufacturing and trading of TFT-LCD panels, general electronic information products and PCB surface mount packaging.

B. On March 12, 2004, the Company’s common stock was officially listed on the Taipei Exchange approved by the Financial Supervisory Commission. In July 2010, the Company’s common stock was officially listed on the Taiwan Stock Exchange Corporation approved by the Financial Supervisory Commission. The Company has officially terminated trading on the Taipei Exchange, and was listed on the Taiwan Stock Exchange Corporation since August 24, 2010.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE PARENT COMPANY ONLY FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These parent company only financial statements were authorised for issuance by the Board of Directors on March 22, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 2, ‘Classification and measurement of share-based payment transactions’	January 1, 2018
Amendments to IFRS 4, ‘Applying IFRS 9, Financial instruments with 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, ‘Clarifications to 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 unrealised losses	January 1, 2017
Amendments to IAS 40, ‘Transfers of investment property’	January 1, 2018
IFRIC 22, ‘Foreign currency transactions and advance consideration’	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, ‘First-time adoption of International Financial Reporting Standards’	January 1, 2018

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures'	January 1, 2018

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment 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 to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), and the effects will be adjusted on January 1, 2019.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to 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
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The parent company only financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

A. Except for the following items, the parent company only financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Financial assets at fair value through other comprehensive income/Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the parent company only financial statements are disclosed in Note 5.

C. In adopting IFRS 9 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39') and related financial reporting interpretations. Please refer to Note 12(4) for details of significant accounting policies.

(3) Foreign currency translation

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

A. Foreign currency transactions and balances

- (a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.
- (b) Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.
- (c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.
- (d) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

- (a) The operating results and financial position of all the company entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:
 - i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
 - ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and
 - iii. All resulting exchange differences are recognised in other comprehensive income.

- (b) When the foreign operation partially disposed of or sold is an associate, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, even when the Company retains partial interest in the former associate after losing significant influence over the former associate, such transactions should be accounted for as disposal of all interest in the foreign operation.
- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even when the Company retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(4) Classification of current and non-current items

- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
 - (a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;
 - (b) Assets held mainly for trading purposes;
 - (c) Assets that are expected to be realised within twelve months from the balance sheet date;
 - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.
- B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
 - (a) Liabilities that are expected to be settled within the normal operating cycle;
 - (b) Liabilities arising mainly from trading activities;
 - (c) Liabilities that are to be settled within twelve months from the balance sheet date;
 - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(5) Financial assets at fair value through profit or loss

- A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.
- B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

- C. At initial recognition, the Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.
- D. The Company recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

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

- A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:
 - (a) The objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets; and
 - (b) The assets' contractual cash flows represent solely payments of principal and interest.
- B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.
- C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. The Company subsequently measures the financial assets at fair value:
 - (a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.
 - (b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(7) Accounts and notes receivable

- A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.
- B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if

such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when one of the following conditions is met:

- A. The contractual rights to receive the cash flows from the financial asset expire.
- B. The contractual rights to receive cash flows of the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.
- C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Company has not retained control of the financial asset.

(10) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard cost method. Variances are recorded to show the difference between the expected and actual costs, which will be allocated to operating cost and ending inventory at end of year. Allocated actual cost is approaching the actual cost assessed under weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(11) Investments accounted for using equity method/subsidiaries and associates

- A. Subsidiaries are all entities (including structured entities) controlled by the Company. The Company controls an entity when the Company 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.
- B. Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Company are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- C. The Company's share of its subsidiaries' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.
- D. If changes in the Company's shares in subsidiaries do not result in loss in control (transactions with non-controlling interest), transactions shall be considered as equity transactions, which are transactions between owners. Difference of adjustment of non-controlling interest and fair value of consideration paid or received is recognised in equity.

- E. When the Company loses control of a subsidiary, the Company remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Company loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.
- F. Associates are all entities over which the Company has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.
- G. The Company's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Company's share of losses in an associate equals or exceeds its interest in the associate (including any other unsecured receivables), the Company does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.
- H. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.
- I. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Company.
- J. In the case that an associate issues new shares and the Company does not subscribe or acquire new shares proportionately, which results in a change in the Company's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Company's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

- K. Upon loss of significant influence over an associate, the Company remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.
- L. When the Company disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.
- M. When the Company disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss. If it retains significant influence over this associate, the amounts previously recognised as capital surplus in relation to the associate are transferred to profit or loss proportionately.
- N. Pursuant to the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” profit (loss) of the current period and other comprehensive income in the parent company only financial statements shall equal to the amount attributable to owners of the parent in the financial statements prepared with basis for consolidation. Owners’ equity in the parent company only financial statements shall equal to equity attributable to owners of the parent in the financial statements prepared with basis for consolidation.

(12) Property, plant and equipment

- A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.
- B. Subsequent costs are included in the asset’s carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
- C. Land is not depreciated. Property, plant and equipment subsequently apply cost model. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item must be separately depreciated by using the straight-line to allocate their cost over their estimated useful lives.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' 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 the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	20~35 years
Machinery and equipment	5~10 years
Other facilities	3~10 years

(13) Operating lease (lessee)

Payments made under an operating lease (net of any incentives given to the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(14) Impairment of non-financial assets

- A. The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which 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. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.
- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.
- C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(15) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(16) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(17) Derecognition of financial liabilities

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

(18) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

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

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans 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 calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Company's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognised as expense and liability, provided that such recognition is required under legal or constructive obligation 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.

(19) Income tax

- A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.
- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the parent company only balance sheet. However, the deferred 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 tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred 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 tax asset is realised or the deferred tax liability is settled.

- D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(20) Share capital

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(21) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(22) Revenue recognition

- A. The Company manufactures and sells products in relation to TFT-LCD panels and PCB surface mount packaging on general electronic information products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.
- B. Sales revenue is measured at the contract price taking into account of business tax, sales returns and discounts. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. The estimation is subject to an assessment at each reporting date. No element of financing is deemed present as the sales are made with a credit term of 30 days to 90 days when control of the products has been transferred, which is consistent with market practice.

C. A receivable is recognised when control of the products has been transferred to the customer. As this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these parent company only financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment assessment of investments accounted for using equity method

The Company assesses the impairment of an investment accounted for using equity method as soon as there is any indication that it might have been impaired and its carrying amount cannot be recovered. The Company assesses the recoverable amounts of an investment accounted for under the equity method based on the present value of expected cash dividends receivable from the investee and expected future cash flows from the disposal of the investee, and analyses the reasonableness of related assumptions.

Please refer to Note 6(5) for the information of investments accounted for using equity method impairment.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Company must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Company evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2018, the carrying amount of inventories was \$475,013.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash on hand and petty cash	\$ 273	\$ 276
Demand deposits	326,235	289,266
	<u>\$ 326,508</u>	<u>\$ 289,542</u>

A. The Company transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Company has no cash pledged to others.

(2) Financial assets/liabilities at fair value through profit or loss

<u>Items</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current items:		
Financial assets mandatorily measured at fair value through profit or loss		
Cross currency swap	\$ -	\$ 253

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Financial assets mandatorily measured at fair value through profit or loss		
Cross currency swap-settled gain or loss	\$ 5,435	\$ 551
Forward foreign exchange contracts -settled gain or loss	360	-
Cross currency swap –valuation gain or loss	-	253
Total	<u>\$ 5,795</u>	<u>\$ 804</u>

B. The Company entered into contracts relating to derivative financial assets which were not accounted for under hedge accounting. The information is listed below:

December 31, 2018: None.

	<u>December 31, 2017</u>	
<u>Derivative instruments</u>	<u>Contract amount (Notional principal)</u>	<u>Contract period</u>
Current items:		
Cross currency swap	\$ 114,250	2017.12.26~2018.01.29
Total	<u>\$ 114,250</u>	

C. The Company has no financial assets at fair value through profit or loss pledged to others.

D. Information relating to credit risk is provided in Note 12(2).

(3) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 1,033,228	\$ 835,027
Less: Allowance for uncollectible accounts	(2,937)	(2,688)
	<u>\$ 1,030,291</u>	<u>\$ 832,339</u>

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2018	December 31, 2017
Not past due	\$ 1,012,537	\$ 826,987
Up to 90 days	19,706	7,743
91 to 180 days	62	20
181 to 365 days	693	53
Over 1 year	230	224
	<u>\$ 1,033,228</u>	<u>\$ 835,027</u>

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

C. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(4) Inventories

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 405,699	(\$ 21,975)	\$ 383,724
Work in progress	3,519	-	3,519
Finished goods	105,672	(17,902)	87,770
Total	<u>\$ 514,890</u>	<u>(\$ 39,877)</u>	<u>\$ 475,013</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 174,768	(\$ 25,020)	\$ 149,748
Work in progress	2,940	-	2,940
Finished goods	91,909	(34,357)	57,552
Total	<u>\$ 269,617</u>	<u>(\$ 59,377)</u>	<u>\$ 210,240</u>

The cost of inventories recognised as expense for the year:

	Years ended December 31,	
	2018	2017
Cost of goods sold	\$ 2,991,992	\$ 2,518,763
Scrap loss	30,300	-
(Gains) losses on reversal or decline in market value	(19,500)	24,401
	<u>\$ 3,002,792</u>	<u>\$ 2,543,164</u>

The Company reversed from a previous inventory write-down and accounted for as reduction of cost of goods sold because inventories were subsequently scrapped or sold for the year ended December 31, 2018.

(5) Investment accounted for using equity method

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries:		
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	\$ 14,207,601	\$ 14,677,110
Taiwan Surface Mounting Technology Co., Ltd	3,945	4,228
High-Toned Opto Technology Corp	43,218	60,017
Bai Hung Investment Corp. Ltd.	33,722	77,250
Fitivision Technology Inc.	(153,792)	(87,065)
TSMT Technology (Singapore) Pte. Ltd.	332,655	155,117
Tele System Communciations Pte Ltd.	3,211	26,956
Associates:		
Uniflex Technology Inc.	161,591	235,632
	<u>14,632,151</u>	<u>15,149,245</u>
Transferred to “other non-current liabilities-credit balance of investments accounted for using equity method”	153,792	87,065
	<u>\$ 14,785,943</u>	<u>\$ 15,236,310</u>

	2018	2017
At January 1	\$ 15,149,245	\$ 15,660,863
Adjustments under IFRS 9 of subsidiaries accounted for using equity method	(2,306)	-
Capital reduction of investments accounted for using equity method	(1,460,000)	-
Addition of investments accounted for using equity method	292,440	139,990
Gain on disposal of investments accounted for using equity method	-	17,882
Share of profit of subsidiaries and associates accounted for using equity method	703,125	871,703
Earnings distribution of investments accounted for using equity method	(237,330)	(429,008)
Recognised impairment loss which is adopting equity method	(7,222)	(42,973)
Changes in associates accounted for using equity method	13,294	(14,178)
Changes in other equity-exchange differences on translation of foreign financial statements	310,083	(1,035,571)
Changes in other equity-unrealised gains (losses) on financial assets at fair value through other comprehensive income	(129,178)	-
Changes in other equity-unrealised gains (losses) on available-for-sale financial assets	-	(19,463)
	14,632,151	15,149,245
Transferred to “other non-current liabilities-credit balance of investments accounted for using equity method”	153,792	87,065
At December 31	<u>\$ 14,785,943</u>	<u>\$ 15,236,310</u>

A. Subsidiaries

- (a) Details of the subsidiaries are provided in Note 4(3) in the Company’s consolidated financial statements as of and for the year ended December 31, 2018.
- (b) Because the growth on the operating revenue of Tele System Communications Pte Ltd. and Fitivision Technology Inc. is lower than expected and both Tele System Communications Pte Ltd. and Fitivision Technology Inc. are incurring continuous deficits, the recoverable amount is lower than the carrying amount under the Company’s assessment. Therefore, the Company recognised impairment loss of goodwill in the amounts of \$7,222 and \$42,973 for the years ended December 31, 2018 and 2017, respectively.

B. Associates

- (a) The basic information of the associates that are material to the Company is as follows:

Company name	Principal place of business	Shareholding ratio		Nature of relationship	Methods of measurement
		December 31, 2018	December 31, 2017		
Uniflex Technology Inc.	Taiwan	18.61%	24.98%	Note	Equity method

Note: It was the Company’s supplier.

- (b) The summarised financial information of the associates that are material to the Company is as follows:

Balance sheet

	Uniflex Technology Inc.	
	December 31, 2018	December 31, 2017
Current assets	\$ 1,653,464	\$ 1,968,272
Non-current assets	1,647,685	1,801,334
Current liabilities	(1,127,511)	(1,438,334)
Non-current liabilities	(1,305,337)	(1,387,991)
Total net assets	<u>\$ 868,301</u>	<u>\$ 943,281</u>
Share in associate's net assets	\$ 161,591	\$ 235,632
Difference on net equity	-	-
Carrying amount of the associate	<u>\$ 161,591</u>	<u>\$ 235,632</u>

Statement of comprehensive income

	Uniflex Technology Inc.	
	Years ended December 31,	
	2018	2017
Revenue	\$ 2,413,285	\$ 2,793,333
Loss for the year from continuing operations	(338,170)	(250,037)
Other comprehensive loss, net of tax	(12,747)	(9,809)
Total comprehensive loss for the year	<u>(\$ 350,917)</u>	<u>\$ 259,846</u>

- (c) On December 31, 2018 and 2017, the fair value of the Company's significant associate, Uniflex Technology Inc., amounted to \$229,655 and \$399,161, respectively.

(6) Property, plant and equipment

	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Total</u>
<u>January 1, 2018</u>					
Cost	\$ 248,841	\$ 463,260	\$ 369,713	\$ 126,058	\$ 1,207,872
Accumulated depreciation	-	(118,258)	(175,548)	(109,935)	(403,741)
	<u>\$ 248,841</u>	<u>\$ 345,002</u>	<u>\$ 194,165</u>	<u>\$ 16,123</u>	<u>\$ 804,131</u>
<u>2018</u>					
At January 1	\$ 248,841	\$ 345,002	\$ 194,165	\$ 16,123	\$ 804,131
Additions	-	1,994	306,351	5,811	314,156
Transfer	-	-	12,336	-	12,336
Disposals	-	-	(8,087)	-	(8,087)
Depreciation charge	-	(19,291)	(41,362)	(10,468)	(71,121)
At December 31	<u>\$ 248,841</u>	<u>\$ 327,705</u>	<u>\$ 463,403</u>	<u>\$ 11,466</u>	<u>\$ 1,051,415</u>
<u>December 31, 2018</u>					
Cost	\$ 248,841	\$ 465,044	\$ 671,943	\$ 48,444	\$ 1,434,272
Accumulated depreciation	-	(137,339)	(208,540)	(36,978)	(382,857)
	<u>\$ 248,841</u>	<u>\$ 327,705</u>	<u>\$ 463,403</u>	<u>\$ 11,466</u>	<u>\$ 1,051,415</u>
	<u>Land</u>	<u>Buildings and structures</u>	<u>Machinery and equipment</u>	<u>Other facilities</u>	<u>Total</u>
<u>January 1, 2017</u>					
Cost	\$ 248,841	\$ 449,783	\$ 374,242	\$ 146,452	\$ 1,219,318
Accumulated depreciation	-	(100,157)	(155,050)	(109,167)	(364,374)
	<u>\$ 248,841</u>	<u>\$ 349,626</u>	<u>\$ 219,192</u>	<u>\$ 37,285</u>	<u>\$ 854,944</u>
<u>2017</u>					
At January 1	\$ 248,841	\$ 349,626	\$ 219,192	\$ 37,285	\$ 854,944
Additions	-	13,477	13,120	-	26,597
Disposals	-	-	(764)	-	(764)
Depreciation charge	-	(18,101)	(37,383)	(21,162)	(76,646)
At December 31	<u>\$ 248,841</u>	<u>\$ 345,002</u>	<u>\$ 194,165</u>	<u>\$ 16,123</u>	<u>\$ 804,131</u>
<u>December 31, 2017</u>					
Cost	\$ 248,841	\$ 463,260	\$ 369,713	\$ 126,058	\$ 1,207,872
Accumulated depreciation	-	(118,258)	(175,548)	(109,935)	(403,741)
	<u>\$ 248,841</u>	<u>\$ 345,002</u>	<u>\$ 194,165</u>	<u>\$ 16,123</u>	<u>\$ 804,131</u>

(7) Short-term borrowings

<u>Type of borrowings</u>	<u>December 31, 2018</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	\$ 2,600,000	0.76% ~ 0.91%	None
Letter of credit borrowings	256,437	0.53%	None
	<u>\$ 2,856,437</u>		

<u>Type of borrowings</u>	<u>December 31, 2017</u>	<u>Interest rate range</u>	<u>Collateral</u>
Unsecured borrowings	<u>\$ 3,170,000</u>	0.76% ~ 1.00%	None

(8) Long-term borrowings

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2018</u>
Installment-repayment borrowings				
Bank unsecured borrowings	Principal is repayable from October 24, 2018 to April 22, 2020 at maturity.	1.20%	None	\$ 500,000
Less: Current portion				-
				<u>\$ 500,000</u>

<u>Type of borrowings</u>	<u>Borrowing period and repayment term</u>	<u>Interest rate range</u>	<u>Collateral</u>	<u>December 31, 2017</u>
Installment-repayment borrowings				
Bank unsecured borrowings	Principal is repayable from March 20, 2017 to March 22, 2019 at maturity.	1.20%	None	\$ 250,000
Bank unsecured borrowings	Principal is repayable from June 30, 2017 to June 27, 2019 at maturity.	1.20%	None	250,000
Less: Current portion				-
				<u>\$ 500,000</u>

(9) Pensions

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Act, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Act. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries

and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The amounts recognised in the balance sheet are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Present value of defined benefit obligations	\$ 97,481	\$ 97,707
Fair value of plan assets	(36,068)	(35,468)
Net defined benefit liability	<u>\$ 61,413</u>	<u>\$ 62,239</u>

(c) Movements in net defined benefit liabilities are as follows:

	<u>Present value of defined benefit obligations</u>	<u>Fair value of plan assets</u>	<u>Net defined benefit liability</u>
<u>Year ended December 31, 2018</u>			
Balance at January 1	\$ 97,707	(\$ 35,468)	\$ 62,239
Current service cost	792	-	792
Interest (expense) income	<u>1,270</u>	<u>(461)</u>	<u>809</u>
	<u>99,769</u>	<u>(35,929)</u>	<u>63,840</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	(1,070)	(1,070)
Change in financial assumptions	2,566	-	2,566
Experience adjustments	<u>(2,323)</u>	<u>-</u>	<u>(2,323)</u>
	<u>243</u>	<u>(1,070)</u>	<u>(827)</u>
Pension fund contribution	-	(1,600)	(1,600)
Paid pension	<u>(2,531)</u>	<u>2,531</u>	<u>-</u>
Balance at December 31	<u>\$ 97,481</u>	<u>(\$ 36,068)</u>	<u>\$ 61,413</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
<u>Year ended December 31, 2017</u>			
Balance at January 1	\$ 93,051	(\$ 41,521)	\$ 51,530
Current service cost	748	-	748
Interest (expense) income	1,489	(664)	825
	<u>95,288</u>	<u>(42,185)</u>	<u>53,103</u>
Remeasurements:			
Return on plan assets (excluding amounts included in interest income or expense)	-	226	226
Change in financial assumptions	4,134	-	4,134
Experience adjustments	6,346	-	6,346
	<u>10,480</u>	<u>226</u>	<u>10,706</u>
Pension fund contribution	-	(1,570)	(1,570)
Paid pension	(8,061)	8,061	-
Balance at December 31	<u>\$ 97,707</u>	<u>(\$ 35,468)</u>	<u>\$ 62,239</u>

- (d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company and domestic subsidiaries have no right to participate in managing and operating that fund and hence the Company and domestic subsidiaries are unable to disclose the classification of plan assets fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2018	2017
Discount rate	1.1%	1.3%
Future salary increases	3.5%	3.5%

Future mortality rate was estimated based on the 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
<u>December 31, 2018</u>				
Effect on present value of defined benefit obligation	(\$ 3,192)	\$ 3,339	\$ 3,009	(\$ 2,898)
<u>December 31, 2017</u>				
Effect on present value of defined benefit obligation	(\$ 3,461)	\$ 3,628	\$ 3,296	(\$ 3,169)

The sensitivity analysis above is based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2019 amount to \$6,041.

(g) As of December 31, 2018, the weighted average duration of the retirement plan is 14 years.

The analysis of timing of the future pension payment was as follows:

Within 1 year	\$	5,909
1-2 year(s)		1,308
3-5 years		11,828
Over 5 years		18,019
	\$	<u>37,064</u>

B. (a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

- (b) The pension costs under defined contribution pension plans of the Company for the years ended December 31, 2018 and 2017, were \$16,257 and \$17,928 respectively.

(10) Share capital

A. As of December 31, 2018, the Company's authorized capital was \$5,000,000, consisting of 500,000 thousand shares of ordinary stock, and the paid-in capital was \$2,923,984 with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. For the years ended December 31, 2018 and 2017, the number of the Company's ordinary shares outstanding at beginning and end of the year did not change.

B. Treasury shares

- (a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

December 31, 2018: None.

Name of company holding the shares	Reason for reacquisition	December 31, 2017	
		Number of shares (in thousands)	Carrying amount (in thousands)
The Company	To be reissued to employees	3,000	\$ 83,953

- (b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

- (c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

- (d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired. Treasury shares to enhance the Company's credit rating and the stockholders' equity should be retired within six months of acquisition.

The Company's second time in repurchasing treasury shares were exercised from August 12, 2015 to October 8, 2015 amounting to 3 million shares, which were retired on November 30, 2018.

(11) Capital surplus

A. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. However, capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

B. Changes in capital surplus are provided as follows:

	2018					
	Share premium	Treasury share transactions	Employee restricted shares	Changes in equity of associates and joint ventures accounted for under equity method	Others	Total
At January 1	\$ 2,377,664	\$ 43,157	\$ 147,951	\$ 925	\$ 67	\$ 2,569,764
Unclaimed dividends that were past due	-	-	-	-	51	51
Changes in equity of associates accounted for under equity method	-	-	-	13,294	-	13,294
Retirement of treasury share	(24,156)	(29,797)	-	-	-	(53,953)
At December 31	<u>\$ 2,353,508</u>	<u>\$ 13,360</u>	<u>\$ 147,951</u>	<u>\$ 14,219</u>	<u>\$ 118</u>	<u>\$ 2,529,156</u>

	2017					
	Share premium	Treasury share transactions	Employee restricted shares	Changes in equity of associates and joint ventures accounted for under equity method	Others	Total
At January 1	\$ 2,377,664	\$ 43,157	\$ 147,951	\$ 925	\$ -	\$ 2,569,697
Unclaimed dividends that were past due	-	-	-	-	67	67
At December 31	<u>\$ 2,377,664</u>	<u>\$ 43,157</u>	<u>\$ 147,951</u>	<u>\$ 925</u>	<u>\$ 67</u>	<u>\$ 2,569,764</u>

(12) Retained earnings

A. The current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses, then 10% of the remaining amount shall be set aside as legal reserve. After setting aside or reversing a special reserve in accordance with related laws and competent authority, the appropriation of the remaining earnings, along with the accumulated unappropriated earnings, shall be proposed by the Board of Directors and resolved by the shareholders.

The Company's dividend policy is residual dividend policy. Taking into consideration the Company's future operation plan, business development, budget of capital expenditure and capital requirement, the Board of Directors proposed the appropriation of unappropriated retained earnings at the shareholders' meeting for approval based on the Company's actual profit and capital conditions. Dividends can be distributed by cash or stocks, however, cash dividend shall be more than 20% of total dividends.

- B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.
- C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.
- D. The appropriations of earnings of years 2017 and 2016 as resolved by the shareholders at their meetings on June 22, 2018 and June 16, 2017 are as follows:

	Years ended December 31,			
	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 77,091		\$ 57,125	
Special reserve	708,812		-	
Cash dividend	380,118	\$ 1.30	292,398	\$ 1.00

The abovementioned distribution of earnings for the year of 2017 was in agreement with those amounts proposed by the Board of Directors on March 19, 2018.

- E. For the information relating to employees' compensation and directors' and supervisors' remuneration, please refer to Note 6(18).

(13) Operating revenue

The Company derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Years ended December 31,	
	2018	2017
Revenue from contracts with customers:		
TFT-LCD panels	\$ 2,170,914	\$ 2,173,028
General electronic information products	1,170,313	493,638
Total	\$ 3,341,227	\$ 2,666,666

(14) Other income

	Years ended December 31,	
	2018	2017
Interest income:		
Interest income from bank deposits	\$ 3,883	\$ 1,329
Other interest income	680	-
Total interest income	<u>4,563</u>	<u>1,329</u>
Rent income	2,925	-
Patent royalties	44,446	46,892
Other income	<u>24,253</u>	<u>50,522</u>
Total	<u>\$ 76,187</u>	<u>\$ 98,743</u>

(15) Other gains and losses

	Years ended December 31,	
	2018	2017
Net currency exchange gains	\$ 31,989	\$ 974
Gains on financial assets at fair value through profit or loss	5,795	804
Gain on disposal of investments accounted for using equity method	-	17,882
Loss on disposal of property, plant and equipment	(3,066)	-
Impairment loss on investments accounted for using equity method	(7,222)	(42,973)
Miscellaneous (disbursements) income	(6)	273
Total	<u>\$ 27,490</u>	<u>(\$ 23,040)</u>

(16) Finance costs

	Years ended December 31,	
	2018	2017
Interest expenses	<u>\$ 31,100</u>	<u>\$ 40,759</u>

(17) Expenses by nature

	Years ended December 31,	
	2018	2017
Change in inventory of finished goods	(\$ 13,763)	\$ 42,380
Raw materials and supplies used	1,781,160	1,564,643
Employee benefit expense	489,119	499,474
Depreciation charges on property, plant and equipment	71,121	76,646
Other expenses	<u>954,242</u>	<u>638,357</u>
Operating cost and operating expenses	<u>\$ 3,281,879</u>	<u>\$ 2,821,500</u>

(18) Employee benefit expense

	Years ended December 31,	
	2018	2017
Salary expenses	\$ 420,817	\$ 426,264
Labour and health insurance fees	36,408	38,804
Pension costs	17,858	19,501
Other personnel expenses	14,036	14,905
	<u>\$ 489,119</u>	<u>\$ 499,474</u>

- A. In accordance with the Articles of Incorporation of the Company, a ratio of profit before tax without deducting employees' compensation and directors' and supervisors' remuneration of the current year, after covering accumulated losses, shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 5% for employees' compensation and shall not be higher than 1% for directors' and supervisors' remuneration.
- B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at \$50,520 and \$40,200, respectively; while directors' and supervisors' remuneration was accrued at \$8,900 and \$7,980, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on the ratio specified in the Company's Articles of Incorporation for the year ended December 31, 2018. The employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the profit or loss of 2017.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Income tax

A. Income tax expense

Components of income tax expense:

	Years ended December 31,	
	2018	2017
Current tax:		
Current tax on profits for the year	\$ 50,048	\$ 40
Tax on undistributed surplus earnings	-	21,692
Prior year income tax overestimation	(124)	(798)
Total current tax	<u>49,924</u>	<u>20,934</u>
Deferred tax:		
Origination and reversal of temporary differences	(175,563)	(40,028)
Impact of change in tax rate	<u>175,686</u>	<u>-</u>
Income tax expense (benefit)	<u>\$ 50,047</u>	<u>(\$ 19,094)</u>

The Company's effect of changes in tax rate for the year ended December 31, 2018 would be recognised on January 1, 2018.

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31,	
	2018	2017
Income tax calculated by applying statutory rate to profit before tax	\$ 167,010	\$ 127,808
Effect of amount not allowed to recognise under regulations	(116,406)	(167,796)
Tax on undistributed surplus earnings	-	21,692
Effect from changes in tax regulation	175,686	-
Change in assessment of realisation of deferred tax assets	(176,119)	-
Prior year income tax overestimation	(124)	(798)
Income tax expense (benefit)	<u>\$ 50,047</u>	<u>(\$ 19,094)</u>

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

	2018		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 10,094	(\$ 2,119)	\$ 7,975
Allowance for bad debts	457	131	588
Employees' unused compensated absences	2,783	491	3,274
Others	<u>11,853</u>	<u>3,536</u>	<u>15,389</u>
Subtotal	<u>\$ 25,187</u>	<u>\$ 2,039</u>	<u>\$ 27,226</u>
-Deferred tax liabilities:			
Unrealised gain on investments	(\$ 1,019,807)	(2,959)	(\$ 1,022,766)
Unrealised foreign exchange gain	(932)	797	(135)
Subtotal	<u>(\$ 1,020,739)</u>	<u>(\$ 2,162)</u>	<u>(\$ 1,022,901)</u>
Total	<u>(\$ 995,552)</u>	<u>(\$ 123)</u>	<u>(\$ 995,675)</u>
	2017		
	January 1	Recognised in profit or loss	December 31
Deferred income tax assets			
-Temporary differences:			
Unrealised loss for market value decline and obsolete and slow-moving inventories	\$ 5,946	\$ 4,148	\$ 10,094
Allowance for bad debts	457	-	457
Unrealized foreign exchange	668	(668)	-
Employees' unused compensated absences	1,338	1,445	2,783
Others	<u>4,548</u>	<u>7,305</u>	<u>11,853</u>
Subtotal	<u>12,957</u>	<u>12,230</u>	<u>25,187</u>
-Deferred tax liabilities:			
Unrealised gain on investments	(\$ 1,048,537)	28,730	(\$ 1,019,807)
Unrealized foreign exchange gain	-	(932)	(932)
Subtotal	<u>(\$ 1,048,537)</u>	<u>27,798</u>	<u>(\$ 1,020,739)</u>
Total	<u>(\$ 1,035,580)</u>	<u>\$ 40,028</u>	<u>(\$ 995,552)</u>

D. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

E. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Company has assessed the impact of the change in income tax rate.

(20) Earnings per share

	<u>Year ended December 31, 2018</u>		
	<u>Amount after tax</u>	<u>Weighted average number of ordinary shares outstanding (share in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 785,003	292,398	\$ 2.68
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	785,003	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,492	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 785,003	293,890	\$ 2.67

	Year ended December 31, 2017		
	Amount after tax	Weighted average number of ordinary shares outstanding (share in thousands)	Earnings per share (in dollars)
<u>Basic earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	\$ 770,907	292,398	\$ 2.64
<u>Diluted earnings per share</u>			
Profit attributable to ordinary shareholders of the parent	770,907	292,398	
Assumed conversion of all dilutive potential ordinary shares			
Employees' bonus	-	1,423	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	\$ 770,907	293,821	\$ 2.62

(21) Supplemental cash flow information

A. Investing activities with partial cash payments

	Years ended December 31,	
	2018	2017
Purchase of property, plant and equipment	\$ 314,156	\$ 26,597
Add: Opening balance of payable on equipment	1,742	1,585
Less: Ending balance of payable on equipment	(10,463)	(1,742)
Cash paid during the year	\$ 305,435	\$ 26,440

B. Financing activities with no cash flow effects

	Years ended December 31,	
	2018	2017
Prepayments for business facilities and prepayments transferred to property, plant and equipment	\$ 12,336	\$ -

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Taiwan Surface Mounting Technology Co., Ltd	Subsidiary
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	"
High-Toned Opto Technology Corp.	"
Bai Hung Investment Corp. Ltd.	"
Fitivision Technology Inc.	"
Taiwan Surface Mounting Technology (Singapore) Pte. Ltd.	"
Tele System Communciations Pte Ltd. (Note)	"
Regent Manner International Holdings Limited	Second-tier subsidiary
TAIWAN SURFACE MOUNTING TECHNOLOGY (U.S.A) CO., LTD.	"
TAIWAN SURFACE MOUNTING TECHNOLOGY (India) Pvt. Ltd.	"
Regent Manner (B.V.I.) Limited	Third-tier subsidiary
Uniflex Technology Inc. (Uniflex Technology)	Investee accounted for using equity method
iWEECARE Co., Ltd.	"
Regent Manner Limited	Subsidiary of Regent Manner (B.V.I.)
Regent Electron (Suzhou) Co., Ltd	Subsidiary of Regent Manner Limited
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd	Subsidiary of Regent Manner Limited
Regent Electron (Ningbo) Co., Ltd	"
Regent Electron (Xiamen) Co., Ltd.	"
Regent Electron (Chengdu) Co., Ltd	"
Regent Electron (Dongguan) Co., Ltd	"
Ningbo Yongfu Trade Co., Ltd.	"
Regent Electron (He Fei) Co., Ltd.	"
Regent Electron (Chong Qing) Co., Ltd	"
High-Toned Technology (Hong Kong) Limited	Subsidiary of High-Toned Opto Technology Corp.
High-Toned Opto Technology (Su Zhou) Limited	Third-tier subsidiary of High-Toned Opto Technology Corp.
Tai Ming Green Power Co., Ltd.	Subsidiary of Bai Hung Investment Corp. Ltd.
Wellight Technology Corp.	"
Dongguan Zuefu Electron Co., Ltd.	Subsidiary of Ningbo Yongfu Trade Co., Ltd.
Jun-Ji Suzhou Automotive Electric Co., Ltd.	Subsidiary of Regent Electron (Suzhou) Co., Ltd
Regent Electron (Xianyang) Co., Ltd.	"

Names of related parties	Relationship with the Company
TELE SYSTEM COMMUNICATIONS DE MEXICO, S.A. DE C.V	Subsidiary of Tele System Communciations Pte Ltd.
TSC ELECTRONIC PTE. LTD.	"
Directors, general managers and key management	Key management personnel of the Company

Note : In November 2017, the Company's subsidiary, Bai Hung Investment Corp. Ltd., participated in Tele System Communications Pte Ltd.'s capital increase. Bai Hung Investment Corp. Ltd. acquired a 33.34% equity interest of Tele System Communications Pte Ltd. Because the Company did not participate in this capital increase proportionately, therefore, the Company's shareholding ratio is decreased to 31.33%. Since the Group holds a 64.67% equity interest of Tele System Communications Pte Ltd. in total, and has substantial control over Tele System Communications Pte Ltd., therefore, Tele System Communications Pte Ltd. was considered as a subsidiary of the Company.

(2) Significant related party transactions

A. Operating revenue

	Years ended December 31,	
	2018	2017
Sales of goods:		
Subsidiaries	\$ 12,646	\$ 5,410
Associates	499	3,088
	<u>\$ 13,145</u>	<u>\$ 8,498</u>

Goods are first sold to subsidiary based on the price specified in the customer order, and transferred from subsidiary to customers with the same price. In 2018 and 2017, the collection terms are 90 days to 120 days after monthly billing that would be available to third parties.

B. Purchases

	Years ended December 31,	
	2018	2017
Purchases of goods:		
Regent Manner Limited	\$ 711,160	\$ 413,399
Subsidiaries	4,338	-
Associates	1,333	6,909
	<u>\$ 716,831</u>	<u>\$ 420,308</u>

Raw materials and finished goods are purchased from subsidiaries and associates. Purchase are negotiated with related parties, and the payment terms are 90 days to 120 days after monthly billing that would be available to third parties.

C. Receivables from related parties

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 3,179	\$ 4,304
Associates	44	48
	<u>\$ 3,223</u>	<u>\$ 4,352</u>

The receivables from related parties arise mainly from sales of goods. The receivables are unsecured in nature and bear no interest.

D. Other receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Fitivision Technology Inc.	\$ 120,680	\$ -
Regent Manner Limited	12,669	72,214
Subsidiaries	-	207
Associates	1,548	-
	<u>\$ 134,897</u>	<u>\$ 72,421</u>

Other receivables comprise of purchasing raw materials and equipment on behalf of Regent Manner Limited and Regent Electron (Suzhou) Co., Ltd, Taiwan Surface Mounting Technology (Suzhou) Co., Ltd, Regent Electron (Ningbo) Co., Ltd, Regent Electron (Xiamen) Co., Ltd., Regent Electron (Chong Qing) Co., Ltd and Regent Electron (Dongguan) Co., Ltd through Regent Manner Limited based on the purchase contracts, patent royalties receivables and dividends receivable. Please refer to Notes 7(2) H and 13(1) for more information.

E. Payables to related parties

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Regent Manner Limited	\$ 237,665	\$ 259,898
Subsidiaries	4,313	4
Associates	72	188
	<u>\$ 242,050</u>	<u>\$ 260,090</u>

The payables to related parties arise mainly from purchase transactions. The payables bear no interest.

F. Other payables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Regent Manner Limited	\$ 600,984	\$ 600,214
Subsidiaries	1,350	620
	<u>\$ 602,334</u>	<u>\$ 600,834</u>

Other payables arise from loans from subsidiaries. Please refer to Note 13(1).

G. Property transactions

(a) Acquisition of property, plant and equipment

	Years ended December 31,	
	2018	2017
High-Toned Opto Technology Corp.	\$ -	\$ 13,158
Subsidiaries	774	1,311
	<u>\$ 774</u>	<u>\$ 14,469</u>

(b) Disposal of property, plant and equipment

	Years ended December 31,			
	2018		2017	
	Disposal proceeds	Gain (loss) on disposal	Disposal proceeds	Gain (loss) on disposal
Regent Manner Limited	\$ 3,130	\$ -	\$ -	\$ -

H. Raw materials purchased on behalf of others /Other income

(a) For the years ended December 31, 2018 and 2017, the Company purchased raw material on behalf of Regent Manner Limited amounting to \$65,302 and \$57,991, respectively, based on the purchase contracts under Taiwanese suppliers' requirement. For the years ended December 31, 2018 and 2017, revenue from raw material purchased on behalf of others amounted to \$1,764 and \$2,068, which was recognised in miscellaneous income. The transactions of raw materials purchased on behalf of others are not included in the Company's sales revenue and purchase. The payment terms are 90 days to 120 days after monthly billing, and they were recognised in "other receivables - related parties" and "accounts payable".

(b) For the years ended December 31, 2018 and 2017, the Company received patent royalties from Regent Manner Limited amounting to \$44,446 and \$46,892, respectively, and those amounts were recognised in "other income". The collection terms are 90 days to 120 days after monthly billing. As of December 31, 2018 and 2017, receivables amounted to \$44,446 and \$46,892, respectively, and were recognised in "other receivables - related parties".

I. Endorsements and guarantees provided to related parties:

Details of endorsements and guarantees provided to related parties are as follows:

	December 31, 2018	December 31, 2017
<u>Party being endorsed/guaranteed</u>		
Subsidiaries	<u>\$ 890,880</u>	<u>\$ 832,840</u>

(3) Key management compensation

	Years ended December 31,	
	2018	2017
Short-term employee benefits	<u>\$ 28,982</u>	<u>\$ 27,719</u>

8. PLEGDED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

Information on endorsements and guarantees provided to subsidiaries is provided in Note 7(2) I.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 22, 2019, the Board of Directors proposed that cash dividends for the distribution of earnings for the year of 2018 was \$380,118 at \$1.3 (in dollars) per share. As of March 22, 2019, the distribution of earnings for the year of 2018 has not been approved by the shareholders.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet). Total capital is calculated as 'equity' as shown in the balance sheet.

The gearing ratios at December 31, 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total borrowings	\$ 3,356,437	\$ 3,670,000
Total equity	\$ 11,581,141	\$ 10,983,734
Gearing ratio	29%	33%

(2) Financial instruments

A. Financial instruments by category

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Financial assets mandatorily measured at fair value through profit or loss	\$ -	\$ 253
Financial assets at amortised cost		
Cash and cash equivalents	326,508	289,542
Accounts receivable	1,033,514	836,691
Other receivables	320,477	77,916
Guarantee deposits paid	3,745	3,745
	<u>\$ 1,684,244</u>	<u>\$ 1,208,147</u>

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Financial liabilities</u>		
Financial liabilities at amortised cost		
Short-term borrowings	\$ 2,856,437	\$ 3,170,000
Notes payable	5,028	6,706
Accounts payable	1,361,696	888,427
Other payables	852,482	780,168
Long-term borrowings (including current portion)	500,000	500,000
Guarantee deposits received	30	30
	<u>\$ 5,575,673</u>	<u>\$ 5,345,331</u>

B. Financial risk management policies

- (a) The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Company, derivative financial instruments, such as foreign exchange forward contracts and foreign currency option contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.
- (b) Risk management is carried out by a central treasury department (Company treasury) under policies approved by the Board of Directors. Company treasury identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

- (c) Information about derivative financial instruments that are used to hedge certain exchange rate risk are provided in Note 6(2).

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

- i. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. Management has set up a policy to require companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the Company treasury. Exchange rate risk is measured through a forecast of highly probable USD and RMB expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting cost of forecast inventory purchases.
- iii. The Company hedges foreign exchange rate by using forward exchange contracts. However, the Company does not adopt hedging accounting. Details of financial assets or liabilities at fair value through profit or loss are provided in Note 6(2).
- iv. The Company's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign currency amount	Exchange rate	Book value
	(In thousands)		(NTD)
(Foreign currency: functional currency)			
<u>Financial assets</u>			
<u>Monetary items</u>			
USD:NTD	\$ 36,396	30.72	\$ 1,118,085
JPY:NTD	58,495	0.278	16,273
RMB:NTD	849	4.476	3,800
<u>Non-monetary items</u>			
USD:NTD	478,635	30.72	14,703,667
HKD:NTD	1,024	3.921	4,015
<u>Financial liabilities</u>			
<u>Monetary items</u>			
USD:NTD	\$ 8,570	30.72	\$ 263,270

				December 31, 2017		
				Foreign currency amount		Book value
				(In thousands)	Exchange rate	(NTD)
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	\$	33,567		29.76		\$ 998,954
JPY:NTD		291		0.264		77
HKD:NTD		12		3.807		46
RMB:NTD		736		4.554		3,352
INR:NTD		4		0.466		2
<u>Non-monetary items</u>						
USD:NTD		498,478		29.76		14,834,705
HKD:NTD		1,098		3.807		4,180
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	\$	38,719		29.76		\$ 1,152,277

- v. The total exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company for the years ended December 31, 2018 and 2017, amounted to \$31,989 and \$974, respectively.
- vi. Analysis of foreign currency market risk arising from significant foreign exchange variation:

				December 31, 2018		
				Sensitivity analysis		
				Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)						
<u>Financial assets</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	11,181	\$		-
JPY:NTD	1%		163			-
RMB:NTD	1%		38			-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD:NTD	1%	\$	2,633	\$		-

Year ended December 31, 2017				
Sensitivity analysis				
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income	
(Foreign currency: functional currency)				
<u>Financial assets</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 9,990	\$	-
JPY:NTD	1%	1		-
HKD:NTD	1%	-		-
RMB:NTD	1%	34		-
INR:NTD	1%	-		-
<u>Financial liabilities</u>				
<u>Monetary items</u>				
USD:NTD	1%	\$ 11,523	\$	-

Price risk

The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

Cash flow and fair value interest rate risk

- i. The Company's interest rate risk mainly arising from long-term borrowings issued at variable rates expose the Company to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During 2018 and 2017, the Company's borrowings at variable rate were mainly denominated in New Taiwan dollars.
- ii. If the borrowing interest rate of New Taiwan dollars had increased/decreased by 1% with all other variables held constant, profit before tax for the years ended December 31, 2018 and 2017 would have increased/decreased by \$5,000 and \$5,000, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income, and the contract cash flows of investments reclassified as debt instruments at fair value through other comprehensive income.

- ii. The Company manages their credit risk taking into consideration the entire company's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.
- iii. The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:
If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.
- iv. The Company adopts the assumptions under IFRS 9, the default occurs when the contract payments are past due over 90 days.
- v. The Company classifies customers' accounts receivable in accordance with credit rating of customer. The Company applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- vi. The Company used the forecastability of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the loss rate methodology is as follows:

December 31, 2018

	<u>Group A</u>
Expected loss rate	0.03%
Total book value	\$ 1,033,228
Loss allowance	2,937

Group A : Customers had no payments that were past due over 90 days.

- vii. Movements in relation to the Company applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2018</u>
At January 1_IAS 39	\$ 2,688
Adjustments under new standards	249
At January 1_IFRS 9	2,937
Provision for impairment	-
At December 31	<u>\$ 2,937</u>

- viii. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

- i. Cash flow forecasting is performed in the departments of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs. Such forecasting takes into consideration of the compliance with balance sheet ratio targets and external regulatory and legal requirements.
- ii. The table below analyses the Company's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

<u>Non-derivative financial liabilities</u>		Between 1		
December 31, 2018	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>	
Short-term borrowings	\$ 2,883,796	\$ -	\$ -	-
Notes payable	5,028	-	-	-
Accounts payable	1,361,696	-	-	-
Other payables	852,482	-	-	-
Long-term borrowings (including current portion)	6,011	501,844	-	-

<u>Non-derivative financial liabilities</u>		Between 1		
December 31, 2017	<u>Within 1 year</u>	<u>and 5 years</u>	<u>Over 5 years</u>	
Short-term borrowings	\$ 3,201,700	\$ -	\$ -	-
Notes payable	6,706	-	-	-
Accounts payable	888,427	-	-	-
Other payables	780,168	-	-	-
Long-term borrowings (including current portion)	6,005	502,114	-	-

- iii. The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in most derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in certain derivative instruments and equity investment without active market is included in Level 3.

B. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 are as follows:

(a) The related information of natures of the assets and liabilities is as follows:

<u>December 31, 2018</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through other comprehensive income	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>December 31, 2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss	\$ 253	\$ -	\$ -	\$ 253
Available-for-sale financial assets - non-current				
Equity securities	-	-	-	-
Total	<u>\$ 253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 253</u>

(b) The methods and assumptions the Company used to measure fair value are as follows:

- i. When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market, interest rate swap contracts, foreign exchange swap contracts and options, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.
- ii. The Company takes into account adjustments for credit risks to measure the fair value of financial and non-financial instruments to reflect credit risk of the counterparty and the Company's credit quality.

C. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

D. The following chart is the movement of Level 3 for the years ended December 31, 2018 and 2017:

	2018	2017
	Equity instruments	Equity instruments
At January 1	\$ -	\$ 7,500
Losses recognised in profit or loss	-	(7,500)
At December 31	<u>\$ -</u>	<u>\$ -</u>

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

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

A. Summary of significant accounting policies adopted in 2017:

(a) Financial assets at fair value through profit or loss

i. They are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

(i) Hybrid (combined) contracts; or

(ii) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(iii) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

ii. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

iii. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(b) Available-for-sale financial assets

i. They are non-derivatives that are either designated in this category or not classified in any of the other categories.

ii. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

iii. They are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured or derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are presented in ‘financial assets measured at cost’.

(c) Loans and receivables

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(d) Impairment of financial assets

- i. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- ii. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:
 - (i) Significant financial difficulty of the issuer or debtor;
 - (ii) A breach of contract, such as a default or delinquency in interest or principal payments;
 - (iii) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
 - (iv) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
 - (v) The disappearance of an active market for that financial asset because of financial difficulties;
 - (vi) 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 with the individual financial asset 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;

- (vii) 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;
 - (viii) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.
- iii. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(i) Financial assets measured at amortised 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 recognised 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 recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(ii) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognised in profit or loss shall not be reversed through profit or loss. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

B. The reconciliations of carrying amount of financial assets transferred from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, were as follows:

- (a) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets amounting to \$7,500, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" amounting to \$7,500 on initial application of IFRS 9.
- (b) In line with the regulations of IFRS 9 on provision for impairment, accounts receivable will have to be reduced by \$249 and retained earnings decreased by \$249.
- (c) In line with the regulations of IFRS 9 on provision for impairment, investments accounted for using equity method will have to be reduced by \$2,306 and retained earnings decreased by \$2,306.

C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9, are as follows:

Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets amounting to \$7,500, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" and increase loss allowance amounting to \$7,500 on initial application of IFRS 9.

D. Credit risk information for the year ended December 31, 2017 are as follows:

- (a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company's credit policy, the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.
- (b) On December 31, 2017, no credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.
- (c) The Company's accounts receivable that were neither past due nor impaired were fully performing in line with the credit standards prescribed based on counterparties' industrial characteristics, scale of business and profitability.

(d) The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	<u>December 31, 2017</u>
Up to 90 days	\$ 5,352
91 to 180 days	-
180 to 365 days	-
	<u>\$ 5,352</u>

(e) Movement analysis of financial assets that were impaired is as follows:

As of December 31, 2017, the Company accrued accounts receivable that were impaired and recognised of \$2,688.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

Disclosures of investees that are based on investees' financial statements audited by independent accountants and inter-company transactions between companies are eliminated. The following disclosures are for reference only.

The Company's significant transactions information for the year ended December 31, 2018 is as follows:

- A. Loans to others: Please refer to table 1.
- B. Provision of endorsements and guarantees to others: Please refer to table 2.
- C. Holding of marketable securities at the end of the period: Please refer to table 3.
- D. Acquisition or sale of the same security with the accumulated cost exceeding \$300 million or 20% of the Company's paid-in capital: None.
- E. Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- F. Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- G. Purchases or sales of goods from or to related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 4.
- H. Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: Please refer to table 5.
- I. Trading in derivative financial instruments undertaken during the reporting periods: Please refer to Note 6(2) and Note 12(2).
- J. Significant inter-company transactions during the reporting periods (individual transactions not exceeding \$10,000 are not disclosed; corresponding transactions from the other side are not disclosed): Please refer to table 6.

(2) Information on investees

- A. Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.
- B. Disclosures in relation to significant transactions conducted with investees are provided in Note 13(1) A to J.

(3) Information on investments in Mainland China

A. Contract processing plant invested in Mainland China:

As of December 31, 2018, the Company invested in Regent Manner Limited through the Company's investee, Taiwan Surface Mounting Technology (B.V.I.) Co. Limited by machinery and equipment pricing in the amount of USD 2.9 million. Regent Manner Limited was established in Dongguan, Guangdong Province, China under an operation of contract processing. Regent Manner Limited is primarily engaged in processing and manufacturing of computer motherboards, interface cards, electronic communication circuit boards.

B. Basic information: Please refer to table 8.

C. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland China, and price, payment terms, unreleased income/loss and other related information relating to investments in Mainland China:

(a) Purchase amount and percentage and ending balance and percentage of payables: please refer to table 4.

(b) Sales amount and percentage and ending balance and percentage of receivables: please refer to table 4.

(c) Property transaction amounts and gains and loss arising from them: None.

(d) Balance and purpose of provision of endorsements/guarantees or collaterals: Please refer to table 2.

(e) Maximum balance, ending balance and interest rate range: Please refer to table 1.

(f) Other significant transactions that affected the gains and losses or financial status for the period, i.e. rendering/receiving of service:

i. In 2018, processing fee arising from the electronic information products circuit board manufactured by Regent Electron (Suzhou) Co., Ltd and Regent Electron (Xiamen) Co., Ltd. appointed by the Company's indirectly held subsidiary, Regent Manner Limited, amounted to HKD 309,604 thousand and HKD 5,744 thousand, respectively. The prices are made under mutual agreement, and the payment terms are 90 days to 120 days after monthly billings.

ii. For the year ended December 31, 2018, raw materials purchased on behalf of indirectly held subsidiary, Regent Manner Limited, amounted to \$65,302, and the received processing income amounted to \$1,764.

- iii. For the year ended December 31, 2018, the Company's indirectly held subsidiary, Regent Manner Limited, purchased raw material on behalf of the Company, Regent Electron (Chong Qing) Co., Ltd, Regent Electron (Xiamen) Co., Ltd., Dongguan Zuefu Electron Co., Ltd., Regent Electron (Dongguan) Co., Ltd, Taiwan Surface Mounting Technology (Suzhou) Co., Ltd., Regent Electron (Suzhou) Co., Ltd., Ningbo Yongfu Trade Co., Ltd., Regent Electron (Ningbo) Co., Ltd. and Regent Electron (He Fei) Co., Ltd. and received the processing income as follows:

Conterparites	Raw material purchased on behalf of others	Received processing income
Taiwan Surface Mounting Technology Corp.	HKD 859 thousand	HKD 4 thousand
Regent Electron (Chong Qing) Co., Ltd	HKD 206,054 thousand	-
Regent Electron (Xiamen) Co., Ltd.	HKD 79,541 thousand	HKD 1,182 thousand
Dongguan Zuefu Electron Co., Ltd.	HKD 56,640 thousand	HKD 2,707 thousand
Regent Electron (Dongguan) Co., Ltd	HKD 22,839 thousand	HKD 357 thousand
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	HKD 8,674 thousand	HKD 46 thousand
Regent Electron (Suzhou) Co., Ltd.	HKD 4,708 thousand	HKD 3 thousand
Ningbo Yongfu Trade Co., Ltd.	HKD 3,660 thousand	-
Regent Electron (Ningbo) Co., Ltd.	HKD 1,986 thousand	-
Regent Electron (He Fei) Co.,Ltd.	HKD 696 thousand	-

14. SEGMENT INFORMATION

Not applicable.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the year ended December 31, 2018	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single part	Ceiling on total loans granted	Footnote
													Item	Value			
0	Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	Other receivables	Y	\$ 150,000	\$ 150,000	\$ 120,000	1.00	2	\$ -	Additional operating capital	\$ -	None	\$ -	\$ 2,895,285	\$ 4,632,456	
1	Regent Electron (Suzhou) Co., Ltd.	Regent Electron (Chong Qing) Co., Ltd..	Other receivables	Y	280,254	-	-	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	4,345,759	4,345,759	
2	Regent Electron (Suzhou) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	280,254	268,560	268,560	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	4,345,759	4,345,759	
3	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	Other receivables	Y	292,000	-	-	1.50	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	
4	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	Other receivables	Y	300,000	-	-	0.90	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	
5	TSMC Technology (Singapore) Pte. Ltd.	TSMC Technology (India) Pvt. Ltd.	Other receivables	Y	76,525	-	-	Based on the contract terms	2	-	Additional operating capital	-	None	-	332,655	332,655	
6	Regent Manner Limited	High-Toned Opto Technology Corp.	Other receivables	Y	87,600	-	-	1~1.20	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	
7	Regent Manner Limited	High-Toned Opto Technology Corp.	Other receivables	Y	90,000	90,000	90,000	1.00	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	
8	Regent Manner Limited	Fitivision Technology Inc.	Other receivables	Y	20,000	-	-	1.00	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	
9	Regent Electron (Suzhou) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	92,072	89,520	89,520	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	4,345,759	4,345,759	
10	Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	Other receivables	Y	115,090	111,900	111,900	People's Bank of China's rate on 3-month time deposits	2	-	Additional operating capital	-	None	-	1,241,289	1,241,289	
11	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	Other receivables	Y	300,000	300,000	300,000	0.90	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	

No.	Creditor	Borrower	General ledger account	Is a related party	Maximum	Balance at December 31, 2018	Actual amount drawn down	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single part	Ceiling on total loans granted	Footnote
					outstanding balance during the year ended December 31, 2018								Item	Value			
12	TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	Other receivables	Y	\$ 123,840	\$ 122,880	\$ 122,880	3.6984% (Based on the contract terms)	2	\$ -	Additional operating capital	\$ -	None	-	\$ 332,655	\$ 332,655	
13	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	Other receivables	Y	300,000	300,000	300,000	0.90	2	-	Additional operating capital	-	None	-	3,506,893	5,611,028	

Note 1: The numbers filled in for the nature of loans are as follows:

Business association is labeled as "1"

Short-term financing is labeled as "2".

Note 2: Limit on the Company's and subsidiaries' loans granted to others as prescribed in "Procedures for Provision of Loans" are as follows:

(1) Nature of the loan is related to business transactions: 25% of the Company's net worth or the amount of business transactions between the creditor and borrower.

(2) Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 25% of the borrower's net worth.

(3) Limit on TSMT Technology (Singapore) Pte. Ltd. loans granted to others:

A. Nature of loan is for short-term financing: ceiling on loans granted to a single party is lower than 40% of the borrower's net worth.

The Company loan which the parent company holds directly and indirectly 100% voting share's foreign companies, if there is a loan classified as short-term financing, the limit of individual borrower shall be lower than 100% of the Company's net worth.

Note 3: The facility approved by the Board of Directors was consistent with the actual loaned facility.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Provision of endorsements and guarantees to others

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

Number	Endorser/ guarantor	Company name	Party being endorsed/guaranteed										Footnote	
			Relationship with the endorser/ guarantor (Note 1)	Limit on endorsements/ guarantees provided for a single party (Note 2)	Maximum outstanding endorsement/ guarantee amount as of December 31, 2018	Outstanding endorsement/ guarantee amount at December 31, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company		Provision of endorsements/ guarantees to the party in Mainland China
0	The Company	Fitivision Technology Inc.	2	\$ 5,790,571	\$ 80,000	\$ -	\$ -	\$ -	-	\$ 11,581,141	Y	N	N	
0	The Company	High-Toned Opto Technology Corp.	2	5,790,571	150,000	-	-	-	-	11,581,141	Y	N	N	
0	The Company	TSMT Technology (India) Pvt. Ltd.	2	5,790,571	590,780	430,080	430,080	-	3.71	11,581,141	Y	N	N	
0	The Company	TSMT Technology (Singapore) Pte. Ltd.	2	5,790,571	464,400	460,800	460,800	-	3.98	11,581,141	Y	N	N	

Note 1: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 2: Limit on endorsements/guarantees provided for a single party and ceiling on total amount of endorsements/guarantees are as follows:

- (1) Ceiling on total amount of endorsements/guarantees shall be lower than the Company's net worth.
- (2) Limit on endorsements/guarantees provided for a single party shall be lower than 10% of the Company's net worth.
- (3) Ceiling on total amount of endorsements/guarantees that the determination was authorised to chairman shall be lower than 10% of the Company's net worth.

Net worth was determined based on the financial statements that are audited or reviewed by CPA.

Taiwan Surface Mounting Technology Corp. and subsidiaries
Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)
Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

As of December 31, 2018								
Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Taiwan Surface Mounting Technology Corp.	Stocks-LED ONE Distribution, Inc.	None	Financial assets at fair value through other comprehensive income-non-current	180	\$ -	18.00	\$ -	None
Taiwan Surface Mounting Technology (B.V.I) Co. Limited	Stocks-Best Option Investment Ltd.	None	Financial assets at fair value through other comprehensive income-non-current	14,142	117,749	11.73	117,749	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) structured products-SDRMBC18110659	None	Financial assets at fair value through profit or loss-current		67,140		67,140	None
Ningbo Yongfu Trade Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18110660	None	Financial assets at fair value through profit or loss-current		35,810		35,810	None
Regent Electron (Ningbo) Co., LTD.	Fubon Bank (China) Structured products-SDRMBC18080453	None	Financial assets at fair value through profit or loss-current		22,380		22,380	None
Regent Electron (Ningbo) Co., LTD.	Fubon Bank (China) Structured products-SDRMBC18090280	None	Financial assets at fair value through profit or loss-current		22,380		22,380	None
Regent Electron (Ningbo) Co., LTD.	Fubon Bank (China) Structured products-SDRMBC18100347	None	Financial assets at fair value through profit or loss-current		31,332		31,332	None
Regent Electron (Ningbo) Co., LTD.	Fubon Bank (China) Structured products-SDRMBC18110288	None	Financial assets at fair value through profit or loss-current		22,380		22,380	None
Regent Electron (Suzhou) Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18110672	None	Financial assets at fair value through profit or loss-current		134,282		134,282	None
Regent Electron (Suzhou) Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18120292	None	Financial assets at fair value through profit or loss-current		44,760		44,760	None
Dongguan Zuefu Electron Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18110451	None	Financial assets at fair value through profit or loss-current		40,285		40,285	None
Dongguan Zuefu Electron Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18110492	None	Financial assets at fair value through profit or loss-current		40,285		40,285	None
Dongguan Zuefu Electron Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18110613	None	Financial assets at fair value through profit or loss-current		40,285		40,285	None
Dongguan Zuefu Electron Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18120696	None	Financial assets at fair value through profit or loss-current		31,332		31,332	None

Securities held by	Marketable securities	Relationship with the securities issuer	General ledger account	Number of shares (in thousand shares)	Book value	Ownership (%)	Fair value	Footnote
Regent Electron (Chong Qing) Co., Ltd.	Fubon Bank (China) Structured products-SDRMBC18120543	None	Financial assets at fair value through profit or loss-current		\$ 22,380		\$ 22,380	None
Regent Electron (Xian Yang) Co., Ltd.	"Golden Snowball-Yu Yueh", Industrial Bank/Guarantee, open-end, RMB-denominated financial products-98R07021	None	Financial assets at fair value through profit or loss-current		44,760		44,760	None
Regent Electron (Xian Yang) Co., Ltd.	"Golden Snowball-Yu Yueh", Industrial Bank/Guarantee, open-end, RMB-denominated financial products-98R07031	None	Financial assets at fair value through profit or loss-current		44,760		44,760	None

Taiwan Surface Mounting Technology Corp. and subsidiaries
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Transaction		Compared to third party		Notes/accounts receivable (payable)		Footnote	
				Amount	Percentage of total purchases (sales)	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Taiwan Surface Mounting Technology Corp.	Regent Manner Limited	The Company is the company's ultimate parent company	Purchase	\$ 711,160 thousand	25%		90~120 days after monthly billings	\$ -	(\$ 237,665 thousand)	(17%)	-
Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	(sales)	(HKD 186,160 thousand)	(6%)		"	-	HKD 59,771 thousand	9%	-
Regent Manner Limited	Regent Electron (Xiamen) Co., Ltd.	Affiliate	Purchase	HKD 593,439 thousand	16%		"	-	(HKD 434,825 thousand)	(22%)	-
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 502,917 thousand)	(81%)		"	-	RMB 381,155 thousand	91%	-
Regent Manner Limited	Regent Electron (Ningbo) Co., LTD.	Affiliate	Purchase	HKD 455,573 thousand	12%		"	-	(HKD 259,218 thousand)	(13%)	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	Affiliate	(sales)	(RMB 382,084 thousand)	(84%)		"	-	RMB 226,998 thousand	83%	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	Affiliate	Purchase	HKD 582,469 thousand	16%		"	-	(HKD 264,783 thousand)	(14%)	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	Affiliate	(sales)	(RMB 493,895 thousand)	(83%)		"	-	RMB 231,900 thousand	93%	-
Tele System Communications Pte Ltd.	Regent Electron (Dongguan) Co., Ltd.	Affiliate	Purchase	\$ 138,280 thousand	48%		"	-	(\$ 30,050 thousand)	(7%)	-
Regent Electron (Dongguan) Co., Ltd.	Tele System Communications Pte Ltd.	Affiliate	(sales)	(RMB 32,413 thousand)	(40%)		"	-	RMB 4,763 thousand	5%	-
TSC ELECTRONIC PTE. LTD.	Tele System Communications Pte Ltd.	Affiliate	Purchase	USD 5,352 thousand	43%		"	-	(USD 2,172 thousand)	(100%)	-
Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	Affiliate	(sales)	(\$ 162,378 thousand)	(36%)		"	-	\$ 66,718 thousand	17%	-
Regent Manner Limited	Uniflex Technology Inc.	Other related party	Purchase	HKD 39,418 thousand	1%		"	-	(HKD 15,589 thousand)	(1%)	-
Regent Electron (Ningbo) Co., LTD.	Uniflex Technology Inc.	Other related party	Purchase	RMB 28,527 thousand	8%		"	-	(RMB 14,469 thousand)	(12%)	-

		Transaction		Compared to third party		Notes/accounts receivable (payable)					
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Regent Electron (Xian Yang) Co., Ltd.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	Purchase	RMB 254,930 thousand	97%	90~120 days after monthly billings	\$ -	-	(RMB 286,530 thousand)	(100%)	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Xian Yang) Co., Ltd.	Affiliate	(sales)	(RMB 254,930 thousand)	(28%)	"	-	-	RMB 286,530 thousand	50%	-
Dongguan Zuefu Electron Co., Ltd.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Affiliate	Purchase	RMB 64,603 thousand	16%	"	-	-	(RMB 31,663 thousand)	(18%)	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Dongguan Zuefu Electron Co., Ltd.	Affiliate	(sales)	(RMB 64,603 thousand)	(7%)	"	-	-	RMB 31,663 thousand	6%	-

Taiwan Surface Mounting Technology Corp. and subsidiaries
Receivables from related parties reaching NT\$100 million or 20% of paid-in capital or more
Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	The Company is the company's ultimate parent company	Other receivables NTD 120,680 thousand (Note 2)	-	-	-	-	-
Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	The Company is the company's ultimate parent company	Accounts receivable HKD 59,771 thousand (Note 3)	-	-	-	-	-
Regent Manner Limited	"	"	Other receivables HKD 154,115 thousand (Note 2)	-	-	-	-	-
Regent Manner Limited	Regent Electron (Chong Qing) Co., Ltd.	Affiliate	Other receivables HKD 161,876 thousand (Note 4)	-	-	-	HKD 15,332 thousand	-
Regent Manner Limited	Regent Electron (Dongguan) Co., Ltd.	"	Other receivables HKD 106,291 thousand (Note 4)	-	-	-	-	-
Regent Manner Limited	Tele System Communications Pte Ltd.	"	Accounts receivable HKD 79,751 thousand (Note 3)	-	-	-	HKD 31 thousand	-
Regent Manner Limited	Regent Electron (Suzhou) Co., Ltd.	"	Accounts receivable HKD 36,473 thousand (Note 4)	-	-	-	HKD 36,427 thousand	-
Regent Electron (Dongguan) Co., Ltd.	Regent Manner Limited	"	Accounts receivable RMB 81,954 thousand (Note 3)	-	-	-	-	-
Dongguan Zuefu Electron Co., Ltd.	Regent Electron (Chong Qing) Co., Ltd.	"	Accounts receivable RMB 32,669 thousand (Note 3)	-	-	-	-	-
Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	"	Accounts receivable RMB 226,998 thousand (Note 3)	-	-	-	RMB 77,013 thousand	-
Regent Electron (Ningbo) Co., LTD.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Accounts receivable RMB 28,161 thousand (Note 1)	-	-	-	RMB 13,701 thousand	-
Regent Electron (Ningbo) Co., LTD.	Regent Electron (He Fei) Co., Ltd.	"	Other receivables RMB 25,226 thousand (Note 2)	-	-	-	-	-
Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	"	Accounts receivable RMB 217,586 thousand (Note 1 and 3)	-	-	-	-	-
Regent Electron (Suzhou) Co., Ltd.	Regent Electron (He Fei) Co., Ltd.	"	Other receivables RMB 80,000 thousand (Note 2)	-	-	-	-	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Dongguan Zuefu Electron Co., Ltd.	"	Accounts receivable RMB 31,663 thousand (Note 3)	-	-	-	RMB 22,487 thousand	-
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Electron (Xian Yang) Co., Ltd.	"	Accounts receivable RMB 286,530 thousand (Note 3)	-	-	-	RMB 172,356 thousand	-

Creditor	Counterparty	Relationship with the counterparty	Balance as at December 31, 2018	Turnover rate	Overdue receivables		Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
					Amount	Action taken		
Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	Affiliate	Accounts receivable RMB 381,155 thousand (Note 1 and 3)	-	-	-	RMB 102,638 thousand	-
Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	"	Accounts receivable RMB 231,900 thousand (Note 3)	-	-	-	RMB 138,613 thousand	-
TSMT-Singapore	TSMT-India	"	Other receivables USD 4,037 thousand (Note 2)	-	-	-	-	-

Note 1: It was a receivable arising from processing on behalf of associates.

Note 2: It was a receivable arising from loans to others.

Note 3: It was a receivable arising from finished goods sold.

Note 4: It was a receivable arising from materials purchased on behalf of others.

Note 5: It was a receivable arising from machinery and equipment sold.

Taiwan Surface Mounting Technology Corp. and subsidiaries
 Significant inter-company transactions during the reporting periods
 Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction		Percentage of consolidated total operating revenues or total assets (Note 3)
				General ledger account	Amount	
0	Taiwan Surface Mounting Technology Corp.	Regent Manner Limited	1	Other receivables	\$ 12,669	0%
0	"	Fitivision Technology Inc.	"	Other receivables	120,680	0%
0	"	Tele System Communications Pte Ltd.	"	Processing fees revenue	10,014	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings
0	"	Regent Manner Limited	"	Other income	57,795	"
1	Regent Manner Limited	Taiwan Surface Mounting Technology Corp.	2	Accounts receivable	237,665	1%
1	"	"	"	Other receivables	600,984	2%
1	"	"	"	Sales revenue	711,160	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings
1	"	High-Toned Opto Technology Corp.	3	Other receivables	90,705	0%
1	"	Regent Electron (Suzhou) Co., Ltd.	"	Accounts receivable	143,011	0%
1	"	"	"	Other receivables	15,085	0%
1	"	"	"	Sales revenue	150,863	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings
1	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Accounts receivable	20,496	0%
1	"	"	"	Other receivables	39,630	0%
1	"	"	"	Sales revenue	29,199	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings
1	"	Regent Electron (Xiamen) Co., Ltd.	"	Other receivables	16,175	0%
1	"	Regent Electron (Dongguan) Co., Ltd.	"	Other receivables	416,767	1%
1	"	Regent Electron (Ningbo) Co., LTD.	"	Accounts receivable	10,897	0%
1	"	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	634,715	2%

Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms		Percentage of consolidated total operating revenues or total assets (Note 3)
1	Regent Manner Limited	Dongguan Zuefu Electron Co., Ltd.	3	Other receivables	\$ 53,246			0%
1	"	Fitivision Technology Inc.	"	Accounts receivable	37,685			0%
1	"	Tele System Communications Pte Ltd.	"	Other receivables	53,716			0%
1	"	"	"	Accounts receivable	312,704			1%
1	"	"	"	Other operating revenue	53,204	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		0%
2	Regent Electron (Suzhou) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	973,919			3%
2	"	"	"	Sales revenue	156,848	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		1%
2	"	"	"	Processing fees revenue	1,165,787	"		4%
2	"	Ningbo Yongfu Trade Co., Ltd.	"	Accounts receivable	39,086			0%
2	"	"	"	Processing fees revenue	113,345	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		0%
2	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	358,082			1%
2	"	Regent Electron (Xiamen) Co., Ltd.	"	Accounts receivable	14,595			0%
3	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	46,057			0%
3	"	"	"	Sales revenue	98,236	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		0%
3	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	10,731			0%
3	"	"	"	Other income	91,430	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		0%
3	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Ningbo Yongfu Trade Co., Ltd.	"	Accounts receivable	18,499			0%
3	"	"	"	Sales revenue	13,020	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings		0%
3	"	"	"	Other operating revenue	37,653	"		0%

Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
3	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Dongguan Zuefu Electron Co., Ltd.	3	Accounts receivable	\$ 141,723		0%
3	"	"	"	Sales revenue	294,592	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	1%
3	"	Regent Electron (Xian Yang) Co., Ltd.	"	Accounts receivable	1,282,516		4%
3	"	"	"	Sales revenue	517,970	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	2%
3	"	"	"	Other operating revenue	644,517	"	2%
4	Regent Electron (Ningbo) Co., LTD.	Regent Manner Limited	"	Accounts receivable	1,016,050		3%
4	"	"	"	Sales revenue	1,742,312	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	6%
4	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Accounts receivable	126,048		0%
4	"	"	"	Processing fees revenue	147,042	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
4	"	Regent Electron (He Fei) Co., Ltd.	"	Other receivables	112,912		0%
5	Regent Electron (Xiamen) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,706,060		6%
5	"	"	"	Sales revenue	2,293,265	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	7%
5	"	"	"	Processing fees revenue	22,982	"	0%
5	"	Regent Electron (Suzhou) Co., Ltd.	"	Other receivables	13,442		0%
6	Dongguan Zuefu Electron Co., Ltd.	Regent Electron (Chong Qing) Co., Ltd.	"	Accounts receivable	146,229		0%
6	"	"	"	Other operating revenue	125,498	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
6	"	Tai Ming Green Power CO., LTD.	"	Accounts receivable	23,791		0%
6	"	"	"	Sales revenue	29,445	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

Transaction

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
7	Regent Electron (Dongguan) Co., Ltd.	Regent Manner Limited	3	Accounts receivable	\$ 366,830		1%
7	"	"	"	Processing fees revenue	32,285	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
7	"	Dongguan Zuefu Electron Co., Ltd.	"	Other receivables	51,768		0%
7	"	"	"	Processing fees revenue	21,888	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
7	"	"	"	Other income	24,940	"	0%
7	"	Tele System Communications Pte Ltd.	"	Accounts receivable	21,318		0%
7	"	"	"	Sales revenue	147,803	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
7	"	Regent Electron (Chong Qing) Co., Ltd.	"	Other receivables	14,901		0%
8	Regent Electron (Chong Qing) Co., Ltd.	Regent Manner Limited	"	Accounts receivable	1,037,989		3%
8	"	"	"	Sales revenue	2,252,174	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	7%
9	Ningbo Yongfu Trade Co., Ltd.	Regent Manner Limited	"	Accounts receivable	32,230		0%
9	"	"	"	Sales revenue	50,713	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%
9	"	"	"	Other operating revenue	45,675	"	0%
9	"	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	"	Sales revenue	16,198	"	0%
10	Tele System Communications Pte Ltd.	TELE SYSTEM COMMUNICATIONS DE MEXICO, S. A. DE	"	Sales revenue	65,186	"	0%
10	"	TSC ELECTRONIC PTE. LTD.	"	Sales revenue	162,378	"	1%
10	"	"	"	Accounts receivable	66,718		0%
11	TSMT-Singapore	TSMT-India	"	Other receivables	124,016		0%
12	High-Toned Opto Technology Corp.	Dongguan Zuefu Electron Co., Ltd.	"	Sales revenue	54,735	Price is made based on mutual agreement, and collection term is 90~120 days after monthly billings	0%

Transaction							Percentage of
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	consolidated total
(Note 1)			(Note 2)				operating revenues or
							total assets (Note 3)
13	Regent Electron (Xian Yang) Co., Ltd.	Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	3	Accounts receivable	\$ 12,379		0%
13	"	"	"	Other operating revenue	21,274	Price is made based on mutual agreement, and collection term is 90-120 days after monthly billings	0%
13	"	Dongguan Zuefu Electron Co., Ltd.	"	Accounts receivable	17,438		0%
13	"	"	"	Sales revenue	37,935	Price is made based on mutual agreement, and collection term is 90-120 days after monthly billings	0%

Note: Individual transactions not exceeding \$10,000 will not be disclosed as well as according related-party transactions.

Taiwan Surface Mounting Technology Corp. and subsidiaries

Information on investees

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018		Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (in thousand shares)	Ownership (%)				
Taiwan Surface Mounting Technology Corp.	Taiwan Surface Mounting Technology Co., LTD	Hong Kong	Rendering service for specific contract items	\$ 42	\$ 42	10	99.99	\$ 3,945	(\$ 283)	(\$ 283)	Subsidiary
Taiwan Surface Mounting Technology Corp.	Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	British Virgin Islands	Holding company	3,145,743	4,605,743	104,000	100	14,207,601	1,038,624	1,038,624	Subsidiary
Taiwan Surface Mounting Technology Corp.	High-Toned Opto Technology Corp.	Taiwan	Manufacture and assembling of LED products	264,077	264,077	26,423	85.24	43,218	(19,987)	(17,037)	Subsidiary
Taiwan Surface Mounting Technology Corp.	Fitivision Technology Inc.	Taiwan	Digital security monitor and wireless communication device	90,000	90,000	9,000	100	(153,792)	(66,728)	(66,728)	Subsidiary
Taiwan Surface Mounting Technology Corp.	Bai Hung Investment Corp. Ltd.	Taiwan	Investment company	109,990	109,990	10,999	99.99	33,722	(43,615)	(43,611)	Subsidiary
Taiwan Surface Mounting Technology Corp.	TSMT Technology (Singapore) Pte. Ltd.	Singapore	Holding company	464,985	172,545	15,000	100	332,655	(106,764)	(106,764)	Subsidiary
Taiwan Surface Mounting Technology Corp.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	40,250	40,250	4,700	31.33	3,211	(33,124)	(16,601)	Subsidiary
Taiwan Surface Mounting Technology Corp.	Uniflex Technology Inc.	Taiwan	Manufacture, processing and sales of flexible Printed Circuit	147,596	147,596	21,872	18.61	161,591	(338,170)	(84,475)	Investee accounted for using equity method

Initial investment amount

Shares held as at December 31, 2018

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018		Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (in thousand shares)	Ownership (%)				
TSMT Technology (Singapore) Pte. Ltd.	TSMT Technology (India) Pvt. Ltd.	India	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 307,294	\$ 153,647	489	100	\$ 196,863	(\$ 100,219)	\$ -	Second-tier subsidiary
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	Regent Manner International Holdings Limited	Cayman Islands	Holding company	3,661,497	5,197,497	2,149,822	100	14,052,053	1,038,653	-	Second-tier subsidiary
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	TSMT-USA	U.S.A	Processing and manufacturing of computer motherboard and interface card of peripheral devices	3,072	3,072	100	100	2,377	(32)	-	Second-tier subsidiary
High-Toned Opto Technology Corp.	High-Toned Technology (Hong Kong) Limited	Hong Kong	Holding company	159,744	159,744	40,300	100	8,764	(1,410)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	Tai Ming Green Power CO., LTD.	Taiwan	Sales of LED application products	50,000	50,000	5,000	100	9,431	(4,254)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	Wellight Technology Corp.	Taiwan	Sales of LED application products	35,583	35,583	3,600	72	9,705	(3,430)	-	Second-tier subsidiary
Bai Hung Investment Corp. Ltd.	iWEECARE Co., Ltd.	Taiwan	Cloud manufacturing of ICT hardware and software	10,500	7,500	2,805	24.40	6,196	(9,301)	-	Investee accounted for using equity method
Bai Hung Investment Corp. Ltd.	Tele System Communications Pte Ltd.	Taiwan	Design and manufacture of wired communication equipment and apparatus and channel KU of Satellite TV	50,000	50,000	5,000	33.34	3,553	(33,124)	-	Second-tier subsidiary
Regent Manner International Holdings Limited	Regent Manner (B.V.I.) Limited	British Virgin Islands	Holding company	2,247,744	3,783,744	34,631	100	14,027,571	1,040,110	-	Third-tier subsidiary

Initial investment amount

Shares held as at December 31, 2018

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at December 31, 2018		Book value	Net profit (loss) of the investee for the year ended December 31, 2018	Investment income(loss) recognised by the Company for the year ended December 31, 2018	Footnote
				Balance as at December 31, 2018	Balance as at December 31, 2017	Number of shares (in thousand shares)	Ownership (%)				
Regent Manner (B.V.I.) Limited	Regent Manner Limited	Hong Kong	Design, processing, manufacture and sales of PCB surface mount packaging in TFT-LCD panels and general electronic information products	\$ 2,247,744	\$ 3,783,744	573,996	100	\$ 14,027,571	\$ 1,040,110	\$ -	The Company is the company's ultimate parent company
Tele System Communications Pte Ltd.	TELE SYSTEM COMMUNICATIONS DE MEXICO, S.A. DE C.V.	Mexico	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	42	42	20	99	3,718	(3,117)	\$ -	Second-tier subsidiary
Tele System Communications Pte Ltd.	TSC ELECTRONIC PTE. LTD.	Singapore	Sales of wired communication equipment and apparatus and channel KU of Satellite TV	1,488	-	50	100	(199)	(1,702)	-	Second-tier subsidiary (Note 1)

Note 1:Tele System Communications Pte Ltd. was established in January 2018.

Taiwan Surface Mounting Technology Corp. and subsidiaries
Information on investments in Mainland China
Year ended December 31, 2018

Table 8

Expressed in thousands of NTD

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan							
Regent Electron (Suzhou) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 844,800	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 1,540,958	\$ -	\$ -	\$ 1,540,958	\$ 347,065	100	\$ 347,065	\$ 4,345,759	\$ 564,135	Note 1
Taiwan Surface Mounting Technology (Suzhou) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	1,075,200	Reinvested in Mainland China companies through investing in existing companies in the third area	824,903	-	-	824,903	208,607	100	208,607	2,687,393	108,720	Note 1
Regent Electron (Ningbo) Co., LTD.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	522,240	Reinvested in Mainland China companies through investing in existing companies in the third area	1,655,015	-	-	1,655,015	15,667	100	15,667	1,241,289	737,938	Note 1
Regent Electron (Xiamen) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	614,400	Reinvested in Mainland China companies through investing in existing companies in the third area	1,170,646	-	-	1,170,646	96,680	100	96,680	1,939,892	592,798	Note 1

Amount remitted from Taiwan to
Mainland China/
Amount remitted back
to Taiwan for the year ended
December 31, 2018

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
				Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan							
Regent Electron (Chengdu) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 368,640	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 394,099	\$ -	\$ -	\$ 394,099	\$ 6,737	100	\$ 6,737	\$ 352,007	\$ -	Note 1
Regent Electron (Dongguan) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	614,400	Reinvested in Mainland China companies through investing in existing companies in the third area	686,507	-	-	686,507	(85,527)	100	(85,527)	500,747	-	Note 1
Ningbo Yongfu Trade Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	86,016	Reinvested in Mainland China companies through investing in existing companies in the third area	148,870	-	-	148,870	66,731	100	66,731	620,523	-	Note 1
Unimicron-Fpc Technology Kunshan Inc.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	3,704,832	Reinvested in Mainland China companies through investing in existing companies in the third area	372,570	-	-	372,570	-	11.73	-	117,749	-	Note 2

Amount remitted from Taiwan to
Mainland China/
Amount remitted back
to Taiwan for the year ended
December 31, 2018

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan										
High-Toned Opto Technology (Su Zhou) Limited	Manufacture and packaging of LED products	\$ 92,160	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ 143,123	\$ -	\$ -	\$ 143,123	(\$ 1,379)	85.24	(\$ 1,175)	\$ 2,982	\$ -	Note 3			
Regent Electron (He Fei) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	460,800	Reinvested in Mainland China companies through investing in existing companies in the third area	476,711	-	-	476,711	130,092	100	130,092	249,309	-	Note 1			
Regent Electron (Chong Qing) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	675,840	Reinvested in Mainland China companies through investing in existing companies in the third area	679,862	-	-	679,862	76,714	100	76,714	752,884	-	Note 1			
Dongguan Zuefu Electron Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	134,280	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	63,052	100	63,052	421,740	-	Note 5			
Jun-Ji Suzhou Automotive Electric Co., Ltd.	Research and development and sales of automotive electronics	44,760	Reinvested in Mainland China companies through investing in existing companies in the third area	-	-	-	-	(43,117)	70	(29,437)	-	-	Note 5			

Amount remitted from Taiwan to
Mainland China/
Amount remitted back
to Taiwan for the year ended
December 31, 2018

Investee in Mainland Chin	Main business activities	Paid-in capital	Investment method	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended December 31, 2018			Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Net income of investee as of December 31, 2018	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 4)	Book value of investments in Mainland China as of December 31, 2018	Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018	Footnote
				as of January 1, 2018	Remitted to Mainland China	Remitted back to Taiwan										
Regent Electron (Xian Yang) Co., Ltd.	Processing and manufacturing of computer motherboard and interface card of peripheral devices	\$ 134,280	Reinvested in Mainland China companies through investing in existing companies in the third area	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,319		100	\$ 36,319	\$ 169,930	\$ -	Note 5 and 6	

Note 1: It was reinvested by its third-tier subsidiary, Regent Manner Limited, by cash through its subsidiary in the third area, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED. Those investments all had been approved by the MOEA.

Note 2: It was reinvested by the investee, Best Option Investment Ltd., of the company's subsidiary, Taiwan Surface Mounting Technology (B.V.I.) Co. LIMITED, in the third area by cash, and had been approved by the MOEA.

Note 3: It was reinvested by the subsidiary, High-Toned Technology (Hong Kong) Limited, of the Company's subsidiary, High-Toned Opto Technology Corp, by cash, and had been approved by the MOEA.

Note 4: Except for Unimicron-Fpc Technology Kunshan Inc., remaining companies' investment income (loss) were recognised based on the financial statements that are audited and attested by R.O.C. parent company's CPA.

Note 5: The company was reinvested by the Company's Mainland China investees approved by the MOEA, no need to submit an additional application for the reinvestments to the MOEA in accordance with the regulations, therefore, the investments would not be included in the calculation of the Company's ceiling on investments in Mainland China.

Note 6: It was invested and established by the Company's Mainland China subsidiary, Regent Electron (Suzhou) Co., Ltd., which was included in the consolidated subsidiaries in January 2018.

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2018	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Taiwan Surface Mounting Technology Corp.	\$ 7,523,748	\$ 8,465,778	(Note 7)

Note 7: The Company met the scope of operation made by the headquarter, thus, no limit was applicable on the Company's investments in Mainland China in accordance with "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area" effective August 1, 2008.

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF CASH
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 1

<u>Items</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and pretty cash		\$ 273
Demand deposits		
-NTD		143,189
-Foreign exchange deposits	USD\$5,306 thousand, conversion rate \$30.72	162,994
	RMB\$849 thousand, conversion rate \$4.476	3,800
	HKD\$12 thousand, conversion rate \$3.921	48
	JPY\$58,246 thousand, conversion rate \$0.2782	<u>16,204</u>
		<u>\$ 326,508</u>

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 2

<u>Customer name</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Non-related parties:			
A Company		\$ 533,361	
B Company		146,150	
C Company		131,345	
D Company		84,345	
E Company		78,529	
			Balance of each customer has not exceeded 5% of total
Others		59,498	accounts receivable
Less: Allowance for bad debts		(2,937)	
		<u>\$ 1,030,291</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF INVENTORIES
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 3

<u>Items</u>	<u>Amount</u>		<u>Notes</u>
	<u>Cost</u>	<u>Market price</u>	
Raw materials	\$ 405,699	\$ 419,783	
Work in progress	3,519	3,519	
Finished goods	<u>105,672</u>	<u>118,796</u>	
	514,890	<u>\$ 542,098</u>	
Less: Allowance for inventory valuation losses	<u>(39,877)</u>		
	<u>\$ 475,013</u>		

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF INVESTMENT ACCOUNTED FOR USING EQUITY METHOD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 4

Name	Balance at January 1, 2018		Additions		Reductions		Balance at December 31, 2018			Market value or value per share		Pledged to others as collateral	Notes
	Number of shares (per thousand share)	Amount	Number of shares (per share)	Amount	Number of shares (per thousand share)	Amount	Number of shares (per thousand share)	% Interest held	Amount	Price (in dollar)	Total price		
Taiwan Surface Mounting Technology Co., Ltd.	10	\$ 4,228	-	\$ -	-	(\$ 283)	10	99.99%	\$ 3,945	\$ 395	\$ 3,945	None	
Taiwan Surface Mounting Technology (B.V.I.) Co. Limited	154,000	14,677,110	-	-	(50,000)	(469,509)	104,000	100.00%	14,207,601	137	14,207,601	None	
Uniflex Technology Inc.	21,872	235,632	-	-	-	(74,041)	21,872	18.61%	161,591	7	161,591	None	
Bai Hung Investment Corp. Ltd.	10,999	77,250	-	-	-	(43,528)	10,999	99.99%	33,722	3	33,722	None	
High-Toned Opto Technology Corp.	26,423	60,017	-	-	-	(16,799)	26,423	85.24%	43,218	2	43,218	None	
Fitivision Technology Inc.	9,000	(87,065)	-	-	-	(66,727)	9,000	100.00%	(153,792)	(17)	(153,792)	None	
TSM Technology (Singapore) Pte. Ltd.	5,500	155,117	9,500	177,538	-	-	15,000	100.00%	332,655	22	332,655	None	
Tele System Communications Pte Ltd.	4,700	<u>26,956</u>	-	<u>-</u>	-	<u>(23,745)</u>	4,700	31.33%	<u>3,211</u>	1	3,211	None	
		\$15,149,245		<u>\$ 177,538</u>		<u>(\$ 694,632)</u>			\$14,632,151				
Add: Transferred to "other non-current liabilities-credit balance of investments accounted for using equity method".		<u>87,065</u>							<u>153,792</u>				
		<u>\$15,236,310</u>							<u>\$14,785,943</u>				

TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 5

<u>Items</u>	<u>Balance as of January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Reclassification</u>	<u>Balance as of December 31, 2018</u>	<u>Pledged as collateral</u>	<u>Note</u>
Land	\$ 248,841	\$ -	\$ -	\$ -	\$ 248,841	None	
Buildings and structures	463,260	1,994	(210)	-	465,044	None	
Machinery and equipment	369,713	306,351	(16,457)	12,336	671,943	None	
Other facilities	126,058	5,811	(83,425)	-	48,444	None	
Total	<u>\$ 1,207,872</u>	<u>\$ 314,156</u>	<u>(\$ 100,092)</u>	<u>\$ 12,336</u>	<u>\$ 1,434,272</u>	None	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF CHANGES IN ACCUMULATED DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 6

<u>Items</u>	<u>Balance as of January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance as of December 31, 2018</u>	<u>Notes</u>
Buildings and structures	\$ 118,258	\$ 19,291	(\$ 210)	\$ 137,339	
Machinery and equipment	175,548	41,362	(8,370)	208,540	
Other facilities	<u>109,935</u>	<u>10,468</u>	<u>(83,425)</u>	<u>36,978</u>	
Total	<u>\$ 403,741</u>	<u>\$ 71,121</u>	<u>(\$ 92,005)</u>	<u>\$ 382,857</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF SHORT-TERM BORROWINGS
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 7

<u>Type of borrowings</u>	<u>Balance at December 31, 2018</u>	<u>Contract period</u>	<u>Interest rate range</u>	<u>Financing line</u>	<u>Collateral</u>	<u>Notes</u>
Financial institutions borrowings						
Unsecured borrowings	\$ 2,600,000	2018.7.26~2019.7.26	0.76%~0.91%	Comprehensive facilities\$3,586,000	None	
Letter of credit borrowings	<u>256,437</u>	2018.10.23~2019.5.2	0.53%	Comprehensive facilitiesUSD\$30,000	None	
	<u>\$ 2,856,437</u>					

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ACCOUNTS PAYABLE
DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 8

<u>Name of suppliers</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Non-related parties			
TPT		\$ 131,157	
AVN		99,922	
TRIPOD		80,290	
WT		56,729	
Others		<u>751,548</u>	None of the balances of any supplier is greater than 5% of this account balance
		<u>\$ 1,119,646</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF OPERATING REVENUE
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 9

<u>Items</u>	<u>Quantity</u>	<u>Amount</u>	<u>Notes</u>
Total sales revenue			
Photoelectric product motherboard	24,784 thousand PCS	\$ 2,160,062	
Raw materials		14,223	
Others		<u>1,208,442</u>	
		3,382,727	
Less: Sales returns		(5,102)	
Sales discounts and allowances		<u>(36,398)</u>	
Total operating revenue		<u>\$ 3,341,227</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF OPERATING COST
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 10

<u>Items</u>	<u>Amount</u>
Direct materials	
Ending balance of raw materials	\$ 174,768
Add:Purchase	2,046,814
Less:Ending balance of raw materials	(405,699)
Reclassified as expenses	(1,044)
Raw materials retirement losses	(17,516)
Raw materials sold	<u>(16,163)</u>
Raw materials used	1,781,160
Direct labor	197,156
Manufacturing overhead	<u>319,824</u>
Manufacturing cost	2,298,140
Add: Beginning balance of work in progress	2,940
Less: Ending balance of work in progress	<u>(3,519)</u>
Cost of finished goods	2,297,561
Add: Beginning balance of finished goods	91,909
Purchases	707,841
Less: Ending balance of finished goods	(105,672)
Finished goods retirement losses	(12,784)
Reclassified as expenses	<u>(2,949)</u>
Production and marketing cost	2,975,906
Add: Cost of materials sales	16,163
Less: Gain on scrapping sales	<u>(77)</u>
Cost of goods sold	2,991,992
Add: Loss for market value decline and obsolete and slow-moving inventories	30,300
Less: Gain on reversal of decline in market value	<u>(19,500)</u>
Total operating costs	<u>\$ 3,002,792</u>

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF MANUFACTURING OVERHEAD
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 11

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 56,711	
Depreciation expense		55,164	
Processing fees		49,095	
Insurance expense		29,681	
Consumption		35,962	
Miscellaneous disbursements		21,623	
Utilities expense		18,603	
Others		<u>52,985</u>	The balance of each expense account has not exceeded 5% of the manufacturing overhead
		<u>\$ 319,824</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF SELLING EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 12

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 24,071	
Travel expense		9,941	
Sample fee		4,029	
Others		<u>7,557</u>	Balance of each expense account has not exceeded 5% of the total selling expenses
		<u>\$ 45,598</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
DETAILS OF ADMINISTRATIVE EXPENSES
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 13

<u>Items</u>	<u>Summary</u>	<u>Amount</u>	<u>Notes</u>
Wages and salaries		\$ 77,315	
Employees' bonus		50,520	
Depreciation expense		14,641	
Others		<u>59,999</u>	The balance of each expense account has not exceeded 5% of the administrative expenses
		<u>\$ 202,475</u>	

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TAIWAN SURFACE MOUNTING TECHNOLOGY CORP.
CURRENT EMPLOYEE BENEFITS, DEPRECIATION, AND AMORTISATION EXPENSES SUMMARIZED BY FUNCTION
YEAR ENDED DECEMBER 31, 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

Table 14

By function By nature		Year ended December 31, 2018			Year ended December 31, 2017		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefit expense							
Wages and salaries		\$ 237,303	\$ 175,934	\$ 413,237	\$ 247,996	\$ 170,785	\$ 418,781
Labour and health insurance fees		29,293	7,115	36,408	31,240	7,564	38,804
Pension expense		10,539	7,319	17,858	11,727	7,774	19,501
Directors' remuneration		-	7,580	7,580	-	7,483	7,483
Other employee benefit expense		8,766	5,270	14,036	9,598	5,307	14,905
Depreciation charges on property, plant and equipment		55,164	15,957	71,121	49,158	27,488	76,646

Note: As of December 31, 2018 and 2017, the Company had 901 and 686 employees, respectively. There were 6 non-employee directors for both the years 2018 and 2017.