

## **Hu Lane Associate Inc. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2018 and 2017 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2018 are the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

HU LANE ASSOCIATE INC.

By

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March 27, 2019

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Hu Lane Associate Inc.

### **Opinion**

We have audited the accompanying consolidated financial statements of Hu Lane Associate Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

#### Assessment of Bad Debt Allowance of Trade Receivables

As discussed in Notes 5 and 8 to the accompanying consolidated financial statements, trade receivables of the Group amounted to NT\$1,145,982 thousand (after deducting the allowance for bad debt of NT\$66,950 thousand) as of December 31, 2018. As the determination of allowance for bad debt of trade receivables involves management's judgment, the process and results of the judgment may be different from actual, leading to a potential misstatement of the consolidated financial statements. Hence, the assessment of bad debt allowance of trade receivables has been deemed as a key audit matter.

The audit procedures we performed in response to the potential misstatement of allowance for bad debt of trade receivables were as follows:

1. We obtained an understanding of internal controls related to the allowance for bad debt of trade receivables and evaluated the design of such internal controls.
2. We evaluated the assumptions the management used to calculate the allowance for bad debt of trade receivables and confirmed that the calculation supports the amount of allowance for bad debt of trade receivables.
3. We tested the rationality of the assumptions for the allowance for bad debt of trade receivables, which is the basis for calculating expected credit losses on trade receivables.
4. We tested the correctness of expected credit losses by sampling.
5. We confirmed the collectible amount of trade receivables by verifying the level of cash collected by the business after the end of the reporting period to assess if the amount of allowance for bad debt recognized is appropriate.

#### Valuation of Inventory

As discussed in Notes 5 and 9 to the accompanying consolidated financial statements, the inventory of the Group amounted to NT\$915,254 thousand (after deducting provision for slow moving and obsolete inventory of NT\$111,510 thousand) as of December 31, 2018. The inventory was measured at the lower of cost or net realizable value. As the estimation of net realizable value of inventory involves management's critical judgment, the process and results of the judgment may be different from actual, leading to a potential misstatement of the consolidated financial statements. Therefore, the valuation of inventory has been deemed as a key audit matter.

The audit procedures we performed in response to the potential misstatement of the net realizable value of inventory were as follows:

1. We obtained an understanding of the internal controls related to inventory provisions and evaluated the design of such internal controls.
2. We analyzed the reasonableness of historical estimation by referring to the actual inventory loss to confirm whether the assumptions the management used to estimate inventory provision is appropriate.
3. We selected samples from the inventory list and confirmed the correctness of the net realizable value by checking the selling prices of the inventory and performing our own calculations of the net realizable value, and confirmed that inventory was measured at the lower of cost or net realizable value.
4. We obtained the inventory count and inventory stock count data at the end of the year to confirm the existence and completeness of the amount of inventory recognized. We also assessed the physical condition of inventory to evaluate the adequacy of provision for obsolete and damaged goods by attending and observing the physical inventory count at the end of the year.

#### **Other Matter**

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shih-ran Cheng and Wang-sheng Lin.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 27, 2019

#### Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

|                                                                                 | 2018                |            | 2017                |            |
|---------------------------------------------------------------------------------|---------------------|------------|---------------------|------------|
| ASSETS                                                                          | Amount              | %          | Amount              | %          |
| <b>CURRENT ASSETS</b>                                                           |                     |            |                     |            |
| Cash and cash equivalents (Notes 4 and 6)                                       | \$ 954,951          | 14         | \$ 976,338          | 14         |
| Financial assets at fair value through profit or loss - current (Notes 4 and 7) | 47,962              | 1          | 148,155             | 2          |
| Financial assets at amortized cost - current                                    | 8,990               | -          | -                   | -          |
| Debt investments with no active market - current (Notes 4 and 6)                | -                   | -          | 8,990               | -          |
| Notes receivable (Notes 4, 8, 24 and 26)                                        | 454,219             | 7          | 720,852             | 11         |
| Trade receivables from unrelated parties (Notes 4 and 8)                        | 1,145,982           | 17         | 1,294,739           | 19         |
| Other receivables                                                               | 15,153              | -          | 12,495              | -          |
| Current tax assets (Notes 4 and 18)                                             | 17,461              | -          | 16,784              | -          |
| Inventories (Notes 4 and 9)                                                     | 915,254             | 13         | 972,397             | 14         |
| Other current assets                                                            | <u>121,000</u>      | <u>2</u>   | <u>145,802</u>      | <u>2</u>   |
| Total current assets                                                            | <u>3,680,972</u>    | <u>54</u>  | <u>4,296,552</u>    | <u>62</u>  |
| <b>NON-CURRENT ASSETS</b>                                                       |                     |            |                     |            |
| Investments accounted for using the equity method (Notes 4 and 11)              | -                   | -          | 12,400              | -          |
| Property, plant and equipment (Notes 4, 12 and 26)                              | 2,854,475           | 42         | 2,409,957           | 34         |
| Investment properties (Note 4)                                                  | 2,506               | -          | 2,510               | -          |
| Other intangible assets (Note 4)                                                | 21,996              | -          | 21,713              | -          |
| Deferred tax assets (Notes 4 and 18)                                            | 41,242              | 1          | 40,498              | 1          |
| Long-term prepayments for leases (Note 22)                                      | 76,689              | 1          | 80,135              | 1          |
| Other non-current assets                                                        | <u>101,510</u>      | <u>2</u>   | <u>111,076</u>      | <u>2</u>   |
| Total non-current assets                                                        | <u>3,098,418</u>    | <u>46</u>  | <u>2,678,289</u>    | <u>38</u>  |
| <b>TOTAL</b>                                                                    | <u>\$ 6,779,390</u> | <u>100</u> | <u>\$ 6,974,841</u> | <u>100</u> |
| <b>LIABILITIES AND EQUITY</b>                                                   |                     |            |                     |            |
| <b>CURRENT LIABILITIES</b>                                                      |                     |            |                     |            |
| Short-term borrowings (Notes 13 and 26)                                         | \$ 1,399,440        | 21         | \$ 899,500          | 13         |
| Notes payable                                                                   | 6,345               | -          | 7,097               | -          |
| Trade payables to unrelated parties                                             | 352,651             | 5          | 500,278             | 7          |
| Other payables to unrelated parties (Note 14)                                   | 411,060             | 6          | 644,771             | 9          |
| Other payables to related parties (Note 25)                                     | 16,873              | -          | 17,478              | -          |
| Current tax liabilities (Notes 4 and 18)                                        | 54,033              | 1          | 111,758             | 2          |
| Other current liabilities                                                       | <u>24,725</u>       | <u>1</u>   | <u>25,263</u>       | <u>1</u>   |
| Total current liabilities                                                       | <u>2,265,127</u>    | <u>34</u>  | <u>2,206,145</u>    | <u>32</u>  |
| <b>NON-CURRENT LIABILITIES</b>                                                  |                     |            |                     |            |
| Deferred tax liabilities (Notes 4 and 18)                                       | 152,458             | 2          | 155,886             | 2          |
| Net defined benefit liabilities - non-current (Notes 4 and 15)                  | 48,394              | 1          | 59,510              | 1          |
| Other non-current liabilities                                                   | <u>9,371</u>        | <u>-</u>   | <u>11,548</u>       | <u>-</u>   |
| Total non-current liabilities                                                   | <u>210,223</u>      | <u>3</u>   | <u>226,944</u>      | <u>3</u>   |
| Total liabilities                                                               | <u>2,475,350</u>    | <u>37</u>  | <u>2,433,089</u>    | <u>35</u>  |
| <b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 16)</b>            |                     |            |                     |            |
| Share capital                                                                   |                     |            |                     |            |
| Ordinary shares                                                                 | 972,241             | 14         | 971,817             | 14         |
| Advance receipts for ordinary shares                                            | -                   | -          | 458                 | -          |
| Total share capital                                                             | <u>972,241</u>      | <u>14</u>  | <u>972,275</u>      | <u>14</u>  |
| Capital surplus                                                                 | <u>1,279,327</u>    | <u>19</u>  | <u>1,279,082</u>    | <u>18</u>  |
| Retained earnings                                                               |                     |            |                     |            |
| Legal reserve                                                                   | 710,302             | 10         | 613,115             | 9          |
| Special reserve                                                                 | 191,891             | 3          | 59,916              | 1          |
| Unappropriated earnings                                                         | <u>1,308,092</u>    | <u>19</u>  | <u>1,745,470</u>    | <u>25</u>  |
| Total retained earnings                                                         | <u>2,210,285</u>    | <u>32</u>  | <u>2,418,501</u>    | <u>35</u>  |
| Other equity                                                                    | <u>(160,091)</u>    | <u>(2)</u> | <u>(131,974)</u>    | <u>(2)</u> |
| Total equity attributable to owners of the Company                              | 4,301,762           | 63         | 4,537,884           | 65         |
| <b>NON-CONTROLLING INTERESTS</b>                                                | <u>2,278</u>        | <u>-</u>   | <u>3,868</u>        | <u>-</u>   |
| Total equity                                                                    | <u>4,304,040</u>    | <u>63</u>  | <u>4,541,752</u>    | <u>65</u>  |
| <b>TOTAL</b>                                                                    | <u>\$ 6,779,390</u> | <u>100</u> | <u>\$ 6,974,841</u> | <u>100</u> |

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

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

|                                                                                           | 2018             |           | 2017             |           |
|-------------------------------------------------------------------------------------------|------------------|-----------|------------------|-----------|
|                                                                                           | Amount           | %         | Amount           | %         |
| OPERATING REVENUE (Note 4)                                                                | \$ 4,079,781     | 100       | \$ 4,076,623     | 100       |
| OPERATING COSTS (Notes 9, 17 and 25)                                                      | <u>2,669,491</u> | <u>66</u> | <u>2,247,756</u> | <u>55</u> |
| GROSS PROFIT                                                                              | <u>1,410,290</u> | <u>34</u> | <u>1,828,867</u> | <u>45</u> |
| OPERATING EXPENSES (Notes 17 and 25)                                                      |                  |           |                  |           |
| Selling and marketing expenses                                                            | 195,971          | 5         | 233,743          | 6         |
| General and administrative expenses                                                       | 295,536          | 7         | 256,194          | 6         |
| Research and development expenses                                                         | 148,905          | 4         | 108,624          | 3         |
| Expected credit loss                                                                      | <u>26,266</u>    | <u>-</u>  | <u>-</u>         | <u>-</u>  |
| Total operating expenses                                                                  | <u>666,678</u>   | <u>16</u> | <u>598,561</u>   | <u>15</u> |
| PROFIT FROM OPERATIONS                                                                    | <u>743,612</u>   | <u>18</u> | <u>1,230,306</u> | <u>30</u> |
| NON-OPERATING INCOME AND EXPENSES                                                         |                  |           |                  |           |
| Other income (Note 17)                                                                    | 50,022           | 1         | 49,375           | 1         |
| Other gains and losses (Note 17)                                                          | (26,818)         | (1)       | (63,437)         | (1)       |
| Finance costs                                                                             | (26,013)         | -         | (12,490)         | -         |
| Share of profit or loss of associates (Notes 4 and 11)                                    | <u>(17,348)</u>  | <u>-</u>  | <u>4,224</u>     | <u>-</u>  |
| Total non-operating income and expenses                                                   | <u>(20,157)</u>  | <u>-</u>  | <u>(22,328)</u>  | <u>-</u>  |
| PROFIT BEFORE INCOME TAX                                                                  | 723,455          | 18        | 1,207,978        | 30        |
| INCOME TAX EXPENSE (Notes 4 and 18)                                                       | <u>141,560</u>   | <u>4</u>  | <u>236,112</u>   | <u>6</u>  |
| NET PROFIT FOR THE YEAR                                                                   | <u>581,895</u>   | <u>14</u> | <u>971,866</u>   | <u>24</u> |
| OTHER COMPREHENSIVE INCOME (Notes 4, 11, 15 and 18)                                       |                  |           |                  |           |
| Items that will not be reclassified subsequently to profit or loss                        |                  |           |                  |           |
| Remeasurement of defined benefit plans                                                    | 2,590            | -         | (7,367)          | -         |
| Income tax relating to items that will not be reclassified subsequently to profit or loss | <u>(518)</u>     | <u>-</u>  | <u>1,252</u>     | <u>-</u>  |
|                                                                                           | <u>2,072</u>     | <u>-</u>  | <u>(6,115)</u>   | <u>-</u>  |

(Continued)

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

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

|                                                                                                | 2018                             |                      | 2017                              |                        |
|------------------------------------------------------------------------------------------------|----------------------------------|----------------------|-----------------------------------|------------------------|
|                                                                                                | Amount                           | %                    | Amount                            | %                      |
| Items that may be reclassified subsequently to profit or loss                                  |                                  |                      |                                   |                        |
| Exchange differences on translating foreign operations                                         | \$ (39,367)                      | (1)                  | \$ (38,139)                       | (1)                    |
| Share of other comprehensive income (loss) of associates accounted for using the equity method | <u>11,069</u><br><u>(28,298)</u> | <u>1</u><br><u>-</u> | <u>(4,235)</u><br><u>(42,374)</u> | <u>-</u><br><u>(1)</u> |
| Other comprehensive loss for the year, net of income tax                                       | <u>(26,226)</u>                  | <u>-</u>             | <u>(48,489)</u>                   | <u>(1)</u>             |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                                        | <u>\$ 555,669</u>                | <u>14</u>            | <u>\$ 923,377</u>                 | <u>23</u>              |
| NET PROFIT (LOSS) ATTRIBUTABLE TO:                                                             |                                  |                      |                                   |                        |
| Owners of the Company                                                                          | \$ 583,304                       | 14                   | \$ 971,866                        | 24                     |
| Non-controlling interests                                                                      | <u>(1,409)</u>                   | <u>-</u>             | <u>-</u>                          | <u>-</u>               |
|                                                                                                | <u>\$ 581,895</u>                | <u>14</u>            | <u>\$ 971,866</u>                 | <u>24</u>              |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:                                             |                                  |                      |                                   |                        |
| Owners of the Company                                                                          | \$ 557,259                       | 14                   | \$ 923,377                        | 23                     |
| Non-controlling interests                                                                      | <u>(1,590)</u>                   | <u>-</u>             | <u>-</u>                          | <u>-</u>               |
|                                                                                                | <u>\$ 555,669</u>                | <u>14</u>            | <u>\$ 923,377</u>                 | <u>23</u>              |
| EARNINGS PER SHARE (Note 19)                                                                   |                                  |                      |                                   |                        |
| Basic                                                                                          | <u>\$ 6.00</u>                   |                      | <u>\$ 10.00</u>                   |                        |
| Diluted                                                                                        | <u>\$ 5.97</u>                   |                      | <u>\$ 9.95</u>                    |                        |

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

(Concluded)

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

|                                                                                  | Equity Attributable to Owners of the Company |                                      |                 |                   |                 |                         |                                                        | Other Equity |                           |              |  |
|----------------------------------------------------------------------------------|----------------------------------------------|--------------------------------------|-----------------|-------------------|-----------------|-------------------------|--------------------------------------------------------|--------------|---------------------------|--------------|--|
|                                                                                  | Share Capital                                |                                      |                 | Retained Earnings |                 |                         | Exchange Differences on Translating Foreign Operations |              | Non-controlling Interests | Total Equity |  |
|                                                                                  | Ordinary Shares                              | Advance Receipts for Ordinary Shares | Capital Surplus | Legal Reserve     | Special Reserve | Unappropriated Earnings |                                                        | Total        |                           |              |  |
| BALANCE AT JANUARY 1, 2017                                                       | \$ 971,580                                   | \$ 319                               | \$ 1,278,931    | \$ 523,343        | \$ 59,916       | \$ 1,452,581            | \$ (89,600)                                            | \$ 4,197,070 | \$ -                      | \$ 4,197,070 |  |
| Appropriation of 2016 earnings                                                   |                                              |                                      |                 |                   |                 |                         |                                                        |              |                           |              |  |
| Legal reserve                                                                    | -                                            | -                                    | -               | 89,772            | -               | (89,772)                | -                                                      | -            | -                         | -            |  |
| Cash dividends                                                                   | -                                            | -                                    | -               | -                 | -               | (583,090)               | -                                                      | (583,090)    | -                         | (583,090)    |  |
| Exercise of employee share options                                               | 237                                          | 139                                  | 151             | -                 | -               | -                       | -                                                      | 527          | -                         | 527          |  |
| Non-controlling interests                                                        | -                                            | -                                    | -               | -                 | -               | -                       | -                                                      | -            | 3,868                     | 3,868        |  |
| Net profit for the year ended December 31, 2017                                  | -                                            | -                                    | -               | -                 | -               | 971,866                 | -                                                      | 971,866      | -                         | 971,866      |  |
| Other comprehensive loss for the year ended December 31, 2017, net of income tax | -                                            | -                                    | -               | -                 | -               | (6,115)                 | (42,374)                                               | (48,489)     | -                         | (48,489)     |  |
| Total comprehensive income (loss) for the year ended December 31, 2017           | -                                            | -                                    | -               | -                 | -               | 965,751                 | (42,374)                                               | 923,377      | -                         | 923,377      |  |
| BALANCE AT DECEMBER 31, 2017                                                     | 971,817                                      | 458                                  | 1,279,082       | 613,115           | 59,916          | 1,745,470               | (131,974)                                              | 4,537,884    | 3,868                     | 4,541,752    |  |
| Effect of retrospective application and retrospective restatement                | -                                            | -                                    | -               | -                 | -               | (15,814)                | -                                                      | (15,814)     | -                         | (15,814)     |  |
| BALANCE AT JANUARY 1, 2018 AS RESTATED                                           | 971,817                                      | 458                                  | 1,279,082       | 613,115           | 59,916          | 1,729,656               | (131,974)                                              | 4,522,070    | 3,868                     | 4,525,938    |  |
| Appropriation of 2017 earnings                                                   |                                              |                                      |                 |                   |                 |                         |                                                        |              |                           |              |  |
| Legal reserve                                                                    | -                                            | -                                    | -               | 97,187            | -               | (97,187)                | -                                                      | -            | -                         | -            |  |
| Special reserve                                                                  | -                                            | -                                    | -               | -                 | 131,975         | (131,975)               | -                                                      | -            | -                         | -            |  |
| Cash dividends                                                                   | -                                            | -                                    | -               | -                 | -               | (777,778)               | -                                                      | (777,778)    | -                         | (777,778)    |  |
| Exercise of employee share options                                               | 424                                          | (458)                                | 245             | -                 | -               | -                       | -                                                      | 211          | -                         | 211          |  |
| Net profit (loss) for the year ended December 31, 2018                           | -                                            | -                                    | -               | -                 | -               | 583,304                 | -                                                      | 583,304      | (1,409)                   | 581,895      |  |
| Other comprehensive loss for the year ended December 31, 2018, net of income tax | -                                            | -                                    | -               | -                 | -               | 2,072                   | (28,117)                                               | (26,045)     | (181)                     | (26,226)     |  |
| Total comprehensive income (loss) for the year ended December 31, 2018           | -                                            | -                                    | -               | -                 | -               | 585,376                 | (28,117)                                               | 557,259      | (1,590)                   | 555,669      |  |
| BALANCE AT DECEMBER 31, 2018                                                     | \$ 972,241                                   | \$ -                                 | \$ 1,279,327    | \$ 710,302        | \$ 191,891      | \$ 1,308,092            | \$ (160,091)                                           | \$ 4,301,762 | \$ 2,278                  | \$ 4,304,040 |  |

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

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

|                                                                                                                      | 2018       | 2017         |
|----------------------------------------------------------------------------------------------------------------------|------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES                                                                                 |            |              |
| Income before income tax                                                                                             | \$ 723,455 | \$ 1,207,978 |
| Adjustments for:                                                                                                     |            |              |
| Depreciation expenses                                                                                                | 185,190    | 154,475      |
| Amortization expenses                                                                                                | 37,513     | 25,436       |
| Expected credit loss recognized                                                                                      | 26,266     | -            |
| Reversal of impairment loss recognized on trade receivables                                                          | -          | (3,452)      |
| Net gain on fair value change of financial assets and liabilities designated as at fair value through profit or loss | 1,619      | (626)        |
| Finance costs                                                                                                        | 26,013     | 12,490       |
| Interest income                                                                                                      | (9,751)    | (4,696)      |
| Dividend income                                                                                                      | (13)       | (3,516)      |
| Share of profit or loss of associates                                                                                | 17,348     | (4,224)      |
| Loss on disposal of property, plant and equipment                                                                    | 195        | 291          |
| Write-downs of inventories (reversal of write-downs)                                                                 | 5,828      | (12,729)     |
| Changes in operating assets and liabilities                                                                          |            |              |
| Financial assets mandatorily classified as at fair value through profit or loss                                      | 98,574     | -            |
| Financial assets held for trading                                                                                    | -          | (138,288)    |
| Notes receivable                                                                                                     | 266,633    | (2,756)      |
| Trade receivables from unrelated parties                                                                             | 107,214    | 5,577        |
| Other receivables                                                                                                    | (2,658)    | (3,817)      |
| Inventories                                                                                                          | 53,228     | (317,538)    |
| Other current assets                                                                                                 | 24,802     | (90,450)     |
| Other non-current assets                                                                                             | 19,649     | 62,429       |
| Notes payable                                                                                                        | (752)      | 3,826        |
| Trade payables from unrelated parties                                                                                | (147,627)  | 65,545       |
| Other payables                                                                                                       | (234,316)  | 106,913      |
| Other current liabilities                                                                                            | (538)      | (23,342)     |
| Provisions - non-current                                                                                             | (8,526)    | (7,937)      |
| Other non-current liabilities                                                                                        | (256)      | (1,822)      |
| Cash generated from operations                                                                                       | 1,189,090  | 1,029,767    |
| Interest received                                                                                                    | 9,751      | 4,696        |
| Interest paid                                                                                                        | (26,013)   | (12,490)     |
| Income tax received                                                                                                  | 3,380      | 2,505        |
| Income tax paid                                                                                                      | (208,942)  | (231,994)    |
| Net cash generated from operating activities                                                                         | 967,266    | 792,484      |
| CASH FLOWS FROM INVESTING ACTIVITIES                                                                                 |            |              |
| Purchase of financial assets measured at cost                                                                        | (60,298)   | -            |
| Proceeds from sale of financial assets measured at cost                                                              | 60,298     | -            |
| Purchase of debt investments with no active market                                                                   | -          | (40,860)     |
| Principal of matured debt investments with no active market                                                          | -          | 53,060       |
| Net cash inflow on disposal of associates                                                                            | 3,680      | -            |

(Continued)

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

|                                                                                       | 2018              | 2017              |
|---------------------------------------------------------------------------------------|-------------------|-------------------|
| Net cash outflow on acquisition of subsidiaries (Note 21)                             | \$ -              | \$ (14,912)       |
| Payments for property, plant and equipment                                            | (712,373)         | (592,776)         |
| Proceeds from disposal of property, plant and equipment                               | 20,040            | 3,450             |
| Decrease in refundable deposits                                                       | 124               | 467               |
| Payments for intangible assets                                                        | (9,487)           | (9,723)           |
| Dividends received                                                                    | <u>13</u>         | <u>17,478</u>     |
| Net cash used in investing activities                                                 | <u>(698,003)</u>  | <u>(583,816)</u>  |
| CASH FLOWS FROM FINANCING ACTIVITIES                                                  |                   |                   |
| Proceeds from short-term borrowings                                                   | 499,940           | 554,500           |
| Proceeds from guarantee deposits received                                             | 32                | -                 |
| Refund of guarantee deposits received                                                 | -                 | (8)               |
| Dividends paid to owners of the Company                                               | (777,778)         | (583,090)         |
| Proceeds from exercise of employee share options                                      | <u>211</u>        | <u>527</u>        |
| Net cash used in financing activities                                                 | <u>(277,595)</u>  | <u>(28,071)</u>   |
| EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE<br>OF CASH HELD IN FOREIGN CURRENCIES | <u>(13,055)</u>   | <u>(19,847)</u>   |
| NET (DECREASE) INCREASE IN CASH AND CASH<br>EQUIVALENTS                               | (21,387)          | 160,750           |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE<br>YEAR                             | <u>976,338</u>    | <u>815,588</u>    |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR                                      | <u>\$ 954,951</u> | <u>\$ 976,338</u> |

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

(Concluded)

# HU LANE ASSOCIATE INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

#### Organization and Operations of the Parent Company

Hu Lane Associate Inc. (the “Company” or Hu Lane Associate) was incorporated in July 1977 as Hu Lane Enterprise Co., Ltd. and renamed as Hu Lane Industry Co., Ltd. on January 29, 2001, and later renamed again as Hu Lane Associate Inc. in 2003. Hu Lane Associate established the Hong Kong Branch in October 2001. Hu Lane Associate is mainly engaged in the manufacturing and sale of terminal devices, terminal crimping, industrial rubber and plastic products.

Hu Lane Associate’s shares have been listed on the Taipei Exchange since November 26, 2003. Hu Lane Associate’s stockholders approved on May 28, 2004 the planned merger with Jie Yun Industry Co., Ltd. with the effective merger date of August 31, 2004, and Hu Lane Associate was the surviving entity. Hu Lane Associate’s board of directors approved on April 4, 2014 the planned merger with I-hung Steel Co., Ltd. with the effective merger date of May 12, 2014, and Hu Lane Associate was the surviving entity.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

#### Organization and Operations of the Subsidiaries

Evervalue Investments Limited (Evervalue), a company established on March 12, 2001, is a 100-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Telford Investments Limited (Telford), a company established on March 8, 2001, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Chiren Investments Limited (Chiren), a company established on August 16, 2004, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in investment.

Hu Lane Electronics (Vietnam) Limited (HuLane Vietnam), a company established in November 2009, is a 100%-owned subsidiary of Hu Lane Associate. It is mainly engaged in manufacturing terminals and molding.

Hulane Electronics (Shenzhen) Limited (Hulane Shenzhen), a company established in June 1999, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing of terminals and molding.

Lihoo Electronics (Shenzhen) Limited (Lihoo Shenzhen), a company established in October 1997, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing electronics.

Hulane Electronics (Nanjing) Limited (Hulane Nanjing), a company established in January 2004, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in manufacturing terminals and molding.

Fortune Master Development Limited (Fortune Master), a company established on March 5, 2010, is a 100%-owned subsidiary of Evervalue. It is mainly engaged in trading and investment.

Dongguan Hulane Electronics Technology (Dongguan Hulane), a company established in June 2011, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in the manufacturing of terminals and molding.

Dongguan Hulane Puquang Trading Limited (Dongguan Puquang), a company established in May 2012, is a 100%-owned subsidiary of Fortune Master. It is mainly engaged in sales of vehicle components and plastic materials.

PT Hulane Tech Manufacturing's 80% equity was acquired by the Company in December 2017. The purpose of this acquisition is to develop area integration for the long-term expansion and operations of the Company.

Hu Lane Associate and its subsidiaries are hereinafter referred to collectively as "the Group".

## **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Company's board of directors on March 27, 2019.

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

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

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

### IFRS 9 "Financial Instruments" and related amendments

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

Trade receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the adjustments comprised an increase in the loss allowance of \$15,814 thousand and a decrease in retained earnings of \$15,814 thousand on January 1, 2018.

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

| <b>New, Amended or Revised Standards and Interpretations<br/>(the “New IFRSs”)</b> | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|------------------------------------------------------------------------------------|------------------------------------------------------|
| Annual Improvements to IFRSs 2015-2017 Cycle                                       | January 1, 2019                                      |
| Amendments to IFRS 9 “Prepayment Features with Negative Compensation”              | January 1, 2019 (Note 2)                             |
| IFRS 16 “Leases”                                                                   | January 1, 2019                                      |
| Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”                   | January 1, 2019 (Note 3)                             |
| Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”        | January 1, 2019                                      |
| IFRIC 23 “Uncertainty over Income Tax Treatments”                                  | January 1, 2019                                      |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

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

- IFRS 16 “Leases”

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

#### Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

#### The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

#### The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

#### Anticipated impact on assets, liabilities and equity

|                                  | <b>Carrying<br/>Amount as of<br/>December 31,<br/>2018</b> | <b>Adjustments<br/>Arising from<br/>Initial<br/>Application</b> | <b>Adjusted<br/>Carrying<br/>Amount as of<br/>January 1, 2019</b> |
|----------------------------------|------------------------------------------------------------|-----------------------------------------------------------------|-------------------------------------------------------------------|
| Long-term prepayments for leases | \$ 76,689                                                  | \$ (76,689)                                                     | \$ -                                                              |
| Right-of-use assets              | <u>-</u>                                                   | <u>104,967</u>                                                  | <u>104,967</u>                                                    |
| Total effect on assets           | <u>\$ 76,689</u>                                           | <u>\$ 28,278</u>                                                | <u>\$ 104,967</u>                                                 |
| Lease liabilities - current      | \$ -                                                       | \$ 14,881                                                       | \$ 14,881                                                         |
| Lease liabilities - non-current  | <u>-</u>                                                   | <u>13,397</u>                                                   | <u>13,397</u>                                                     |
| Total effect on liabilities      | <u>\$ -</u>                                                | <u>\$ 28,278</u>                                                | <u>\$ 28,278</u>                                                  |

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

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

| <b>New IFRSs</b>                                                                                                         | <b>Effective Date<br/>Announced by IASB (Note 1)</b> |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Amendments to IFRS 3 "Definition of a Business"                                                                          | January 1, 2020 (Note 2)                             |
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" | To be determined by IASB                             |
| IFRS 17 "Insurance Contracts"                                                                                            | January 1, 2021                                      |
| Amendments to IAS 1 and IAS 8 "Definition of Material"                                                                   | January 1, 2020 (Note 3)                             |

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulate that, when the Group sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when the Group loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Group sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated. Also, when the Group loses control of a subsidiary that does not contain a business but retains significant influence or joint control over an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the Group’s interest as an unrelated investor in the associate or joint venture, i.e. the Group’s share of the gain or loss is eliminated.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair value.

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

d. Basis of consolidation

Principles for preparing the consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 10 and Table 7 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held interests in the acquiree, the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation (attributable to the owners of the Company) are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

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

h. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

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

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

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

i. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Freehold land is not depreciated.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

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

j. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties also include land held for a currently undetermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

k. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

l. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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

m. Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

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

a) Measurement category

2018

Financial assets are classified as financial assets at fair value through profit or loss and financial assets at amortized cost.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when such financial assets are mandatorily classified or designated as at fair value through profit or loss. Financial assets mandatorily classified as at fair value through profit or loss include investments in equity instruments which are not designated as at fair value through other comprehensive income.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

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

## 2017

Financial assets are classified as financial assets at fair value through profit or loss and loans and receivables.

### i. Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 24.

### ii. Loans and receivables

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

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

### b) Impairment of financial assets

## 2018

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

## 2017

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of the financial asset, that the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with a default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

### c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

## 2) Financial liabilities

### a) Subsequent measurement

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

### b) Derecognition of financial liabilities

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

## n. Revenue recognition

### 2018/Contracts applicable to IFRS 15

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

For contracts entered into with the same customer (or related parties of the customer) at or near the same time, those contracts are accounted for as a single contract if the contracts are negotiated as a package with a single commercial objective.

- Revenue from the sale of goods

Revenue from the sale of goods comes from sales of terminals and molds. Sales of terminals and molds are recognized as revenue when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. Any amounts previously recognized as contract assets are reclassified to trade receivables when the remaining obligations are performed.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

### 2017

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

## 1) Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

- d) It is probable that the economic benefits associated with the transaction will flow to the Group;  
and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials' ownership.

## 2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

## o. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

### 3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element separately as finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

## p. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

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

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

r. Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately.

At the end of each reporting period, the Group revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

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

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

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

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. For details of the key assumptions and inputs used, see Note 8.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

c. Write-down of inventory

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

## 6. CASH AND CASH EQUIVALENTS

|                                                            | <b>December 31</b> |                   |
|------------------------------------------------------------|--------------------|-------------------|
|                                                            | <b>2018</b>        | <b>2017</b>       |
| Cash on hand                                               | \$ 3,105           | \$ 4,048          |
| Checking accounts and demand deposits                      | 453,426            | 609,532           |
| Cash equivalents                                           |                    |                   |
| Time deposits with original maturities within three months | <u>498,420</u>     | <u>362,758</u>    |
|                                                            | <u>\$ 954,951</u>  | <u>\$ 976,338</u> |

a. The market rate intervals of demand deposits and time deposits at the end of the reporting period were as follows:

|                 | <b>December 31</b> |             |
|-----------------|--------------------|-------------|
|                 | <b>2018</b>        | <b>2017</b> |
| Demand deposits | 0.01%-0.48%        | 0.01%-0.35% |
| Time deposits   | 2.05%-4.6%         | 1.51%-4.4%  |

b. As of December 31, 2018, the time deposits with original maturities of more than three months totaled \$8,990 thousand, and were classified as financial assets at amortized cost. The market rate intervals of time deposits with original maturities of more than three months were 1.045%-6.5%.

As of December 31, 2017, the time deposits with original maturities of more than three months totaled \$8,990 thousand, and were classified as debt investments with no active market. The market rate intervals of time deposits with original maturities of more than three months were 1.045%-6.5%.

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

|                                                     | December 31      |                   |
|-----------------------------------------------------|------------------|-------------------|
|                                                     | 2018             | 2017              |
| <u>Financial assets at FVTPL - current</u>          |                  |                   |
| Financial assets mandatorily classified as at FVTPL |                  |                   |
| Domestic listed shares                              | \$ 356           | \$ -              |
| Mutual funds                                        | <u>47,606</u>    | <u>-</u>          |
|                                                     | <u>\$ 47,962</u> | <u>\$ -</u>       |
| Financial assets held for trading                   |                  |                   |
| Domestic listed shares                              | \$ -             | \$ 89,416         |
| Mutual funds                                        | <u>-</u>         | <u>58,739</u>     |
|                                                     | <u>\$ -</u>      | <u>\$ 148,155</u> |

## 8. NOTES RECEIVABLE AND TRADE RECEIVABLES

|                                                 | December 31         |                     |
|-------------------------------------------------|---------------------|---------------------|
|                                                 | 2018                | 2017                |
| <u>Notes receivable</u>                         |                     |                     |
| Notes receivable - operating                    | <u>\$ 454,219</u>   | <u>\$ 720,852</u>   |
| <u>Trade receivables from unrelated parties</u> |                     |                     |
| Trade receivables                               | \$ 1,212,932        | \$ 1,320,201        |
| Less: Allowance for impairment loss             | <u>(66,950)</u>     | <u>(25,462)</u>     |
|                                                 | <u>\$ 1,145,982</u> | <u>\$ 1,294,739</u> |

Refer to Note 23 for details of the factoring agreements for trade receivables.

### In 2018

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables. The Group adopted a policy of only dealing with reputable entities, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is obtained from other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the executive vice president, internal audit department and accounting department annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position at the reporting date. As the Group's historical credit loss experience show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is further distinguished according to the Group's different customer base.

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

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

December 31, 2018

|                                | <b>Not Past Due</b> | <b>1 to 90 Days</b> | <b>91 to 180 Days</b> | <b>181 to 270 Days</b> | <b>Over 270 Days</b> | <b>Total</b>        |
|--------------------------------|---------------------|---------------------|-----------------------|------------------------|----------------------|---------------------|
| Expected credit loss rate      | 1.60%-<br>2.42%     | 1.34%-<br>2.78%     | 4.86%-<br>9.97%       | 27.44%-<br>56.38%      | 100%                 |                     |
| Gross carrying amount          | \$ 699,991          | \$ 406,179          | \$ 50,589             | \$ 19,691              | \$ 36,482            | \$ 1,212,932        |
| Loss allowance (Lifetime ECLs) | (12,442)            | (5,859)             | (4,505)               | (7,662)                | (36,482)             | (66,950)            |
|                                | <u>\$ 687,549</u>   | <u>\$ 400,320</u>   | <u>\$ 46,084</u>      | <u>\$ 12,029</u>       | <u>\$ -</u>          | <u>\$ 1,145,982</u> |
| Amortized cost                 |                     |                     |                       |                        |                      |                     |

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

|                                                   | <b>2018</b>      |
|---------------------------------------------------|------------------|
| Balance at January 1, 2018 per IAS 39             | \$ 25,462        |
| Adjustment on retrospective application of IFRS 9 | <u>15,814</u>    |
| Balance at January 1, 2018 per IFRS 9             | 41,276           |
| Add: Net remeasurement of loss allowance          | 26,266           |
| Foreign exchange gains and losses                 | <u>(592)</u>     |
| Balance at December 31, 2018                      | <u>\$ 66,950</u> |

Compared to January 1, 2018, the gross carrying amount of trade receivables decreased by \$107,269 thousand, and the loss allowance increased by \$25,674 thousand as of December 31, 2018.

In 2017

The Group applied the same credit policy in 2018 and 2017. The Group recognized an allowance for impairment loss of 100% against all receivables over past due over 360 days because historical experience was that receivables that are past due beyond 360 days are not recoverable. Allowance for impairment loss was recognized against trade receivables aged between 121 days and 360 days based on the estimated irrecoverable amounts determined by reference to the past default experience of the counterparties and an analysis of their current financial position.

For some trade receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

- a. The aging of receivables that were past due but not impaired was as follows:

|               | <b>December 31,<br/>2017</b> |
|---------------|------------------------------|
| Up to 90 days | <u>\$ 1,062,237</u>          |
| 91-120 days   | <u>\$ 120,223</u>            |

The above aging schedule was based on the invoice date.

- b. The aging of impaired trade receivables was as follows:

|                    | <b>December 31,<br/>2017</b> |
|--------------------|------------------------------|
| 121-180 days       | \$ 76,082                    |
| 181-360 days       | 36,197                       |
| More than 360 days | <u>-</u>                     |
|                    | <u>\$ 112,279</u>            |

The above amounts of trade receivables are aged based on the invoice date and presented after deducting the allowance for impairment loss.

- c. The movements of the allowance for impairment loss recognized on trade receivables were as follows:

|                                                            | <b>For the Year Ended<br/>December 31, 2017</b>             |                                                           |
|------------------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------|
|                                                            | <b>Trade<br/>Receivables<br/>from Unrelated<br/>Parties</b> | <b>Trade<br/>Receivables<br/>from Related<br/>Parties</b> |
| Balance at January 1                                       | \$ 30,099                                                   | \$ -                                                      |
| Less: Impairment losses reversed                           | (3,452)                                                     | -                                                         |
| Less: Amounts written off during the year as uncollectible | (963)                                                       | -                                                         |
| Foreign exchange translation gains and losses              | <u>(222)</u>                                                | <u>-</u>                                                  |
| Balance at December 31                                     | <u>\$ 25,462</u>                                            | <u>\$ -</u>                                               |

## 9. INVENTORIES

|                            | <b>December 31</b> |                   |
|----------------------------|--------------------|-------------------|
|                            | <b>2018</b>        | <b>2017</b>       |
| Finished goods             | \$ 443,380         | \$ 388,625        |
| Work in progress           | 105,838            | 134,562           |
| Raw materials and supplies | 149,037            | 148,304           |
| Merchandise                | <u>216,999</u>     | <u>300,906</u>    |
|                            | <u>\$ 915,254</u>  | <u>\$ 972,397</u> |

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$2,669,491 thousand and \$2,247,756 thousand, respectively. The cost of goods sold in 2018 and 2017 included inventory write-downs of \$5,828 thousand and reversal of inventory write-downs of \$(12,729) thousand, respectively. The reversals of previous write-downs resulted from increased selling prices in certain markets.

## 10. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements:

| Investor          | Investee                            | Nature of Activities                                       | Proportion of Ownership |      |
|-------------------|-------------------------------------|------------------------------------------------------------|-------------------------|------|
|                   |                                     |                                                            | December 31             | 2017 |
|                   |                                     |                                                            | 2018                    | 2017 |
| Hu Lane Associate | Telford                             | Investment                                                 | 100                     | 100  |
|                   | Evervalue                           | Investment                                                 | 100                     | 100  |
|                   | Chiren                              | Investment                                                 | 100                     | 100  |
|                   | Hulane Vietnam                      | Manufacture of terminals and molds                         | 100                     | 100  |
|                   | PT Hulane Tech Manufacturing (Note) | Manufacture of terminals and molds                         | 80                      | 80   |
| Evervalue         | Hulane Shenzhen                     | Manufacture of terminals and molds                         | 100                     | 100  |
|                   | Lihoo Shenzhen                      | Manufacture of electronics                                 | 100                     | 100  |
|                   | Hulane Nanjing                      | Manufacture of terminals and molds                         | 100                     | 100  |
|                   | Fortune Master                      | Trading and investment                                     | 100                     | 100  |
| Fortune Master    | Dongguan Hulane                     | Manufacture of terminals and molds                         | 100                     | 100  |
|                   | Dongguan Puguang                    | Sale terminals of vehicle components and plastic materials | 100                     | 100  |

Note: Refer to Note 21 for details of the acquisition of PT Hulane Tech Manufacturing.

b. Subsidiaries excluded from the consolidated financial statements: None.

## 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associates

|                                       | December 31 |           |
|---------------------------------------|-------------|-----------|
|                                       | 2018        | 2017      |
| Unlisted companies                    |             |           |
| PT. Delta Hulane Pacific Co., Limited | \$ -        | \$ 12,400 |

Aggregate information of individually immaterial associates:

|                                       | For the Year Ended December 31 |          |
|---------------------------------------|--------------------------------|----------|
|                                       | 2018                           | 2017     |
| The Group's share of:                 |                                |          |
| Profit                                | \$ -                           | \$ 4,224 |
| Other comprehensive income (loss)     | -                              | (4,235)  |
| Total comprehensive loss for the year | \$ -                           | \$ (11)  |

The Group's proportion of ownership and voting rights at the end of the reporting period was as follows:

| Name of Associate                     | December 31 |      |
|---------------------------------------|-------------|------|
|                                       | 2018        | 2017 |
| PT. Delta Hulane Pacific Co., Limited | -           | 40%  |

The Group sold 40% of its interest in PT. Delta Hulane Pacific Co., Limited in March 2018 and recognized a loss on disposal of \$17,348 thousand.

## 12. PROPERTY, PLANT AND EQUIPMENT

|                                                 | Freehold Land       | Buildings         | Machinery Equipment | Transportation Equipment | Furniture and Fixtures | Leasehold Improvements | Other Equipment | Prepayments for Equipment and Property under Construction | Total               |
|-------------------------------------------------|---------------------|-------------------|---------------------|--------------------------|------------------------|------------------------|-----------------|-----------------------------------------------------------|---------------------|
| <u>Cost</u>                                     |                     |                   |                     |                          |                        |                        |                 |                                                           |                     |
| Balance at January 1, 2017                      | \$ 1,008,022        | \$ 487,753        | \$ 1,193,706        | \$ 15,805                | \$ 62,556              | \$ -                   | \$ 3,884        | \$ 108,561                                                | \$ 2,880,287        |
| Additions                                       | -                   | 7,189             | 66,311              | 2,250                    | 7,527                  | -                      | 3,494           | 506,005                                                   | 592,776             |
| Disposals                                       | -                   | -                 | (13,790)            | (81)                     | (2,078)                | -                      | -               | -                                                         | (15,949)            |
| Acquisition through business combinations       | -                   | 14,520            | -                   | 1,466                    | 18                     | -                      | -               | -                                                         | 16,004              |
| Effect of foreign currency exchange differences | -                   | (11,794)          | (17,632)            | (426)                    | (1,985)                | -                      | (69)            | (586)                                                     | (32,492)            |
| Reclassifications                               | -                   | 45,179            | 242,997             | -                        | 1,085                  | 1,200                  | (2,362)         | (341,969)                                                 | (53,870)            |
| Balance at December 31, 2017                    | <u>1,008,022</u>    | <u>542,847</u>    | <u>1,471,592</u>    | <u>19,014</u>            | <u>67,123</u>          | <u>1,200</u>           | <u>4,947</u>    | <u>272,011</u>                                            | <u>3,386,756</u>    |
| <u>Accumulated depreciation</u>                 |                     |                   |                     |                          |                        |                        |                 |                                                           |                     |
| Balance at January 1, 2017                      | -                   | 99,561            | 702,246             | 9,959                    | 33,107                 | -                      | 540             | -                                                         | 845,413             |
| Depreciation expense                            | -                   | 18,459            | 125,984             | 2,148                    | 6,971                  | 120                    | 789             | -                                                         | 154,471             |
| Disposals                                       | -                   | -                 | (10,371)            | (76)                     | (1,761)                | -                      | -               | -                                                         | (12,208)            |
| Acquisitions through business combinations      | -                   | 90                | -                   | 239                      | -                      | -                      | -               | -                                                         | 329                 |
| Effect of foreign currency exchange differences | -                   | (1,861)           | (11,641)            | (350)                    | (1,313)                | -                      | 2               | -                                                         | (15,163)            |
| Reclassifications                               | -                   | 373               | 3,184               | 45                       | 355                    | -                      | -               | -                                                         | 3,957               |
| Balance at December 31, 2017                    | -                   | <u>116,622</u>    | <u>809,402</u>      | <u>11,965</u>            | <u>37,359</u>          | <u>120</u>             | <u>1,331</u>    | -                                                         | <u>976,799</u>      |
| Carrying amounts at December 31, 2017           | <u>\$ 1,008,022</u> | <u>\$ 426,225</u> | <u>\$ 662,190</u>   | <u>\$ 7,049</u>          | <u>\$ 29,764</u>       | <u>\$ 1,080</u>        | <u>\$ 3,616</u> | <u>\$ 272,011</u>                                         | <u>\$ 2,409,957</u> |
| <u>Cost</u>                                     |                     |                   |                     |                          |                        |                        |                 |                                                           |                     |
| Balance at January 1, 2018                      | \$ 1,008,022        | \$ 542,847        | \$ 1,471,592        | \$ 19,014                | \$ 67,123              | \$ 1,200               | \$ 4,947        | \$ 272,011                                                | \$ 3,386,756        |
| Additions                                       | -                   | 335               | 108,926             | 1,921                    | 6,823                  | -                      | 16,042          | 578,326                                                   | 712,373             |
| Disposals                                       | -                   | (15,685)          | (54,014)            | (1,131)                  | (1,992)                | -                      | (11)            | (15,465)                                                  | (88,298)            |
| Effect of foreign currency exchange differences | -                   | (8,996)           | (27,855)            | (315)                    | (1,042)                | -                      | (46)            | (3,197)                                                   | (41,451)            |
| Reclassifications                               | -                   | 425               | 163,188             | -                        | 532                    | -                      | (16,517)        | (177,557)                                                 | (29,929)            |
| Balance at December 31, 2018                    | <u>1,008,022</u>    | <u>518,926</u>    | <u>1,661,837</u>    | <u>19,489</u>            | <u>71,444</u>          | <u>1,200</u>           | <u>4,415</u>    | <u>654,118</u>                                            | <u>3,939,451</u>    |
| <u>Accumulated depreciation</u>                 |                     |                   |                     |                          |                        |                        |                 |                                                           |                     |
| Balance at January 1, 2018                      | -                   | 116,622           | 809,402             | 11,965                   | 37,359                 | 120                    | 1,331           | -                                                         | 976,799             |
| Depreciation expense                            | -                   | 19,675            | 154,738             | 2,159                    | 7,553                  | 480                    | 581             | -                                                         | 185,186             |
| Disposals                                       | -                   | (15,685)          | (49,426)            | (1,018)                  | (1,934)                | -                      | -               | -                                                         | (68,063)            |
| Effect of foreign currency exchange differences | -                   | (1,528)           | (15,358)            | (194)                    | (538)                  | -                      | (13)            | -                                                         | (17,631)            |
| Reclassifications                               | -                   | 310               | 7,920               | 67                       | 521                    | -                      | (133)           | -                                                         | 8,685               |
| Balance at December 31, 2018                    | -                   | <u>119,394</u>    | <u>907,276</u>      | <u>12,979</u>            | <u>42,961</u>          | <u>600</u>             | <u>1,766</u>    | -                                                         | <u>1,084,976</u>    |
| Carrying amounts at December 31, 2018           | <u>\$ 1,008,022</u> | <u>\$ 399,532</u> | <u>\$ 754,561</u>   | <u>\$ 6,510</u>          | <u>\$ 28,483</u>       | <u>\$ 600</u>          | <u>\$ 2,649</u> | <u>\$ 654,118</u>                                         | <u>\$ 2,854,475</u> |

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

|                                            |             |
|--------------------------------------------|-------------|
| Building                                   |             |
| Main buildings                             | 35-40 years |
| Electrical power equipment                 | 3-15 years  |
| Engineering system                         | 5-10 years  |
| Machinery equipment                        | 2-10 years  |
| Transportation equipment                   | 5 years     |
| Furniture and fixtures and other equipment | 1-8 years   |
| Leasehold improvements                     | 5 years     |

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 26.

### 13. BORROWINGS

|                             | <b>December 31</b>  |                   |
|-----------------------------|---------------------|-------------------|
|                             | <b>2018</b>         | <b>2017</b>       |
| <u>Secured borrowings</u>   |                     |                   |
| Bank loans                  | \$ 500,000          | \$ 300,000        |
| <u>Unsecured borrowings</u> |                     |                   |
| Line of credit borrowings   | <u>899,440</u>      | <u>599,500</u>    |
|                             | <u>\$ 1,399,440</u> | <u>\$ 899,500</u> |

- a. The range of interest rate on borrowings was 0.80%-4.57% and 0.73%-1.08% per annum as of December 31, 2018 and 2017, respectively.
- b. Endorsements and guarantees of Dongguan Puguang and Evervalue are provided by the Group.

### 14. OTHER PAYABLES

|                                                                         | <b>December 31</b> |                   |
|-------------------------------------------------------------------------|--------------------|-------------------|
|                                                                         | <b>2018</b>        | <b>2017</b>       |
| Accrued salaries and bonuses                                            | \$ 94,860          | \$ 116,999        |
| Compensation to employees and remuneration of directors and supervisors | 40,150             | 66,603            |
| Payables for equipment                                                  | 115,945            | 102,868           |
| Borrowings secured by notes receivable                                  | 40,740             | 214,860           |
| Others                                                                  | <u>119,365</u>     | <u>143,441</u>    |
|                                                                         | <u>\$ 411,060</u>  | <u>\$ 644,771</u> |

### 15. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The pension schemes of the Group's branch in Hong Kong and its subsidiaries in China and Vietnam were defined contributions, under which the related contributions were made according to local regulations; holding companies had no employees and had no pension schemes. The other entities of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The expense of defined contribution plans is set out below:

|                            | <b>December 31</b> |                  |
|----------------------------|--------------------|------------------|
|                            | <b>2018</b>        | <b>2017</b>      |
| Defined contribution plans | <u>\$ 46,389</u>   | <u>\$ 40,443</u> |

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contributes amounts equal to 5% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

|                                                                       | <b>December 31</b>                                                 |                                                             |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------|
|                                                                       | <b>2018</b>                                                        | <b>2017</b>                                                 |
| Present value of defined benefit obligation                           | \$ 131,653                                                         | \$ 134,792                                                  |
| Fair value of plan assets                                             | <u>(83,259)</u>                                                    | <u>(75,282)</u>                                             |
| Net defined benefit liabilities                                       | <u>\$ 48,394</u>                                                   | <u>\$ 59,510</u>                                            |
|                                                                       | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b>                    |
|                                                                       |                                                                    | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
| Balance at January 1, 2017                                            | <u>\$ 129,910</u>                                                  | <u>\$ (69,830)</u>                                          |
| Service cost                                                          |                                                                    |                                                             |
| Current service cost                                                  | 1,409                                                              | -                                                           |
| Net interest expense (income)                                         | <u>1,819</u>                                                       | <u>(995)</u>                                                |
| Recognized in profit or loss                                          | <u>3,228</u>                                                       | <u>(995)</u>                                                |
| Remeasurement                                                         |                                                                    |                                                             |
| Return on plan assets (excluding amounts<br>included in net interest) | -                                                                  | 334                                                         |
| Actuarial loss - changes in financial<br>assumptions                  | 2,714                                                              | -                                                           |
| Actuarial loss - experience adjustments                               | <u>4,319</u>                                                       | <u>-</u>                                                    |
| Recognized in other comprehensive income                              | <u>7,033</u>                                                       | <u>334</u>                                                  |
| Contributions from the employer                                       | <u>-</u>                                                           | <u>(10,170)</u>                                             |
| Benefits paid                                                         | <u>(5,379)</u>                                                     | <u>5,379</u>                                                |
| Balance at December 31, 2017                                          | <u>\$ 134,792</u>                                                  | <u>\$ (75,282)</u>                                          |
| Balance at January 1, 2018                                            | <u>\$ 134,792</u>                                                  | <u>\$ (75,282)</u>                                          |
| Service cost                                                          |                                                                    |                                                             |
| Current service cost                                                  | 1,338                                                              | -                                                           |
| Net interest expense (income)                                         | <u>1,471</u>                                                       | <u>(800)</u>                                                |
| Recognized in profit or loss                                          | <u>2,809</u>                                                       | <u>(800)</u>                                                |

(Continued)

|                                                                       | <b>Present Value<br/>of the Defined<br/>Benefit<br/>Obligation</b> | <b>Fair Value of<br/>the Plan Assets</b> | <b>Net Defined<br/>Benefit<br/>Liabilities<br/>(Assets)</b> |
|-----------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------|
| Remeasurement                                                         |                                                                    |                                          |                                                             |
| Return on plan assets (excluding amounts<br>included in net interest) | \$ -                                                               | \$ (2,176)                               | \$ (2,176)                                                  |
| Actuarial gain - experience adjustments                               | (414)                                                              | -                                        | (414)                                                       |
| Recognized in other comprehensive income                              | (414)                                                              | (2,176)                                  | (2,590)                                                     |
| Contributions from the employer                                       | -                                                                  | (10,535)                                 | (10,535)                                                    |
| Benefits paid                                                         | (5,534)                                                            | 5,534                                    | -                                                           |
| Balance at December 31, 2018                                          | <u>\$ 131,653</u>                                                  | <u>\$ (83,259)</u>                       | <u>\$ 48,394</u><br>(Concluded)                             |

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

|                                     | <b>December 31</b>          |             |
|-------------------------------------|-----------------------------|-------------|
|                                     | <b>2018</b>                 | <b>2017</b> |
| Discount rate(s)                    | 1.15%                       | 1.15%       |
| Expected rate(s) of salary increase | 2.00%                       | 2.00%       |
| Mortality rate                      | Taiwan actuarial life table |             |
| Turnover rate                       | Note                        | Note        |

Note: Based on historical experience of the turnover rate for the past few years and consideration of future developments.

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

|                                     | <b>December 31</b> |             |
|-------------------------------------|--------------------|-------------|
|                                     | <b>2018</b>        | <b>2017</b> |
| Discount rate(s)                    |                    |             |
| 0.25% increase                      | \$ (2,170)         | \$ (2,687)  |
| 0.25% decrease                      | \$ 2,249           | \$ 2,797    |
| Expected rate(s) of salary increase |                    |             |
| 1% increase                         | \$ 9,433           | \$ 11,796   |
| 1% decrease                         | \$ (8,355)         | \$ (10,254) |

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

|                                                          | <b>December 31</b> |             |
|----------------------------------------------------------|--------------------|-------------|
|                                                          | <b>2018</b>        | <b>2017</b> |
| The expected contributions to the plan for the next year | \$ 2,009           | \$ 2,233    |
| The average duration of the defined benefit obligation   | 11.3 years         | 12 years    |

## 16. EQUITY

### a. Share capital

#### Ordinary shares

|                                                       | <b>December 31</b> |              |
|-------------------------------------------------------|--------------------|--------------|
|                                                       | <b>2018</b>        | <b>2017</b>  |
| Number of shares authorized (in thousands)            | 100,000            | 100,000      |
| Shares authorized                                     | \$ 1,000,000       | \$ 1,000,000 |
| Number of shares issued and fully paid (in thousands) | 97,224             | 97,182       |
| Shares issued                                         | \$ 972,241         | \$ 971,817   |

The shares increased due to employees' exercise of their employee share options.

### b. Capital surplus

|                                                                                                                                                         | <b>December 31</b>  |                     |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
|                                                                                                                                                         | <b>2018</b>         | <b>2017</b>         |
| May be used to offset a deficit, distributed as cash dividends, or transferred to share capital                                                         |                     |                     |
| Issuance of ordinary shares                                                                                                                             | \$ 1,212,032        | \$ 1,211,921        |
| Consolidation excess                                                                                                                                    | 53,723              | 53,723              |
| The difference between the consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition | 101                 | 101                 |
| <u>May not be used for any purpose</u>                                                                                                                  |                     |                     |
| Employee share options                                                                                                                                  | 13,471              | 13,337              |
|                                                                                                                                                         | <u>\$ 1,279,327</u> | <u>\$ 1,279,082</u> |

The capital surplus arising from shares issued in excess of par (including share premium from issuance of common shares), consolidation excess and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, please refer to Note 17e: Employees' compensation and remuneration of directors and supervisors.

In consideration of the operating environment and business growth, the Company distributed dividends both by cash and by stock to meet the capital needs for the Company's present and future expansion plans and to satisfy stockholders' cash flow requirements. In principle, cash dividends should not be lower than 10% of total dividends distributed.

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

Items referred to under Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 15, 2018 and June 16, 2017, respectively. The appropriations and dividends per share were as follows:

|                 | <b>Appropriation of Earnings</b>          |             | <b>Dividends Per Share (NT\$)</b>         |             |
|-----------------|-------------------------------------------|-------------|-------------------------------------------|-------------|
|                 | <b>For the Year Ended<br/>December 31</b> |             | <b>For the Year Ended<br/>December 31</b> |             |
|                 | <b>2017</b>                               | <b>2016</b> | <b>2017</b>                               | <b>2016</b> |
| Legal reserve   | \$ 97,187                                 | \$ 89,772   | \$ -                                      | \$ -        |
| Special reserve | 131,975                                   | -           | -                                         | -           |
| Cash dividends  | 777,778                                   | 583,090     | 8.0                                       | 6.0         |

## 17. NET PROFIT AND OTHER COMPREHENSIVE INCOME

### a. Other income

|                 | <b>For the Year Ended December 31</b> |                  |
|-----------------|---------------------------------------|------------------|
|                 | <b>2018</b>                           | <b>2017</b>      |
| Interest income | \$ 9,751                              | \$ 4,696         |
| Other income    | <u>40,271</u>                         | <u>44,679</u>    |
|                 | <u>\$ 50,022</u>                      | <u>\$ 49,375</u> |

### b. Other gains and losses

|                             | <b>For the Year Ended December 31</b> |                    |
|-----------------------------|---------------------------------------|--------------------|
|                             | <b>2018</b>                           | <b>2017</b>        |
| Net foreign exchange losses | \$ (10,909)                           | \$ (43,021)        |
| Other losses                | <u>(15,909)</u>                       | <u>(20,416)</u>    |
|                             | <u>\$ (26,818)</u>                    | <u>\$ (63,437)</u> |

### c. Depreciation and amortization expenses

|                                         | <b>For the Year Ended December 31</b> |                   |
|-----------------------------------------|---------------------------------------|-------------------|
|                                         | <b>2018</b>                           | <b>2017</b>       |
| Property, plant and equipment           | \$ 185,186                            | \$ 154,471        |
| Investment properties                   | <u>4</u>                              | <u>4</u>          |
|                                         | <u>\$ 185,190</u>                     | <u>\$ 154,475</u> |
| An analysis of depreciation by function |                                       |                   |
| Operating costs                         | \$ 161,932                            | \$ 132,359        |
| Operating expenses                      | <u>23,258</u>                         | <u>22,116</u>     |
|                                         | <u>\$ 185,190</u>                     | <u>\$ 154,475</u> |
| An analysis of amortization by function |                                       |                   |
| Operating costs                         | \$ 12,615                             | \$ 7,547          |
| Operating expenses                      | <u>24,898</u>                         | <u>17,889</u>     |
|                                         | <u>\$ 37,513</u>                      | <u>\$ 25,436</u>  |

d. Employee benefits expense

|                                                      | <b>For the Year Ended December 31</b> |                   |
|------------------------------------------------------|---------------------------------------|-------------------|
|                                                      | <b>2018</b>                           | <b>2017</b>       |
| Short-term benefits                                  | \$ 628,142                            | \$ 576,942        |
| Post-employment benefits                             |                                       |                   |
| Defined contribution plans                           | 46,389                                | 40,443            |
| Defined benefit plans (Note 15)                      | 2,009                                 | 2,233             |
|                                                      | <u>48,398</u>                         | <u>42,676</u>     |
| Other employee benefits                              | <u>205,814</u>                        | <u>193,624</u>    |
| Total employee benefits expense                      | <u>\$ 882,354</u>                     | <u>\$ 813,242</u> |
| An analysis of employee benefits expense by function |                                       |                   |
| Operating costs                                      | \$ 547,869                            | \$ 518,574        |
| Operating expenses                                   | <u>334,485</u>                        | <u>294,668</u>    |
|                                                      | <u>\$ 882,354</u>                     | <u>\$ 813,242</u> |

e. Employees' compensation and remuneration of directors and supervisors for 2018 and 2017

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at the rates of 1% - 10% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 27, 2019 and March 27, 2018, respectively, were as follows:

Accrual rate

|                                           | <b>For the Year Ended December 31</b> |             |
|-------------------------------------------|---------------------------------------|-------------|
|                                           | <b>2018</b>                           | <b>2017</b> |
| Employees' compensation                   | 5.07%                                 | 5.02%       |
| Remuneration of directors and supervisors | 0.51%                                 | 0.50%       |

Amount

|                                           | <b>For the Year Ended December 31</b> |             |
|-------------------------------------------|---------------------------------------|-------------|
|                                           | <b>2018</b>                           | <b>2017</b> |
|                                           | <b>Cash</b>                           | <b>Cash</b> |
| Employees' compensation                   | \$ 36,500                             | \$ 60,548   |
| Remuneration of directors and supervisors | 3,650                                 | 6,055       |

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

There is no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2017.

The Company held a board of directors' meeting on March 27, 2017 that resulted in the actual amounts of the employees' compensation and remuneration of directors and supervisors paid for 2016 to differ from the amounts recognized in the consolidated financial statements for the year ended December 31, 2016. The differences were adjusted to profit and loss for the year ended December 31, 2017.

|                                                       | <b>For the Year Ended<br/>December 31, 2016</b> |                                                          |
|-------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------|
|                                                       | <b>Employees'<br/>Compensation</b>              | <b>Remuneration<br/>of Directors and<br/>Supervisors</b> |
| Amounts approved in the board of directors' meeting   | <u>\$ 59,443</u>                                | <u>\$ 5,944</u>                                          |
| Amounts recognized in the annual financial statements | <u>\$ 81,363</u>                                | <u>\$ 8,136</u>                                          |

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

## 18. INCOME TAX

- a. Major components of tax expense recognized in profit or loss:

|                                                                           | <b>For the Year Ended December 31</b> |                   |
|---------------------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                           | <b>2018</b>                           | <b>2017</b>       |
| <u>Current tax</u>                                                        |                                       |                   |
| In respect of the current year                                            | \$ 138,349                            | \$ 192,436        |
| Income tax on unappropriated earnings                                     | 4,841                                 | 21,742            |
| Adjustments for prior years                                               | <u>3,060</u>                          | <u>10,573</u>     |
|                                                                           | 146,250                               | 224,751           |
| <u>Deferred tax</u>                                                       |                                       |                   |
| Adjustments to deferred tax attributable to changes in tax rates and laws | (6,249)                               | -                 |
| In respect of the current year                                            | <u>1,559</u>                          | <u>11,361</u>     |
| Income tax expense recognized in profit or loss                           | <u>\$ 141,560</u>                     | <u>\$ 236,112</u> |

A reconciliation of accounting profit and income tax expenses is as follows:

|                                                                                 | <b>For the Year Ended December 31</b> |                     |
|---------------------------------------------------------------------------------|---------------------------------------|---------------------|
|                                                                                 | <b>2018</b>                           | <b>2017</b>         |
| Profit before tax                                                               | <u>\$ 723,455</u>                     | <u>\$ 1,207,978</u> |
| Income tax expense calculated at the statutory rate                             | \$ 144,691                            | \$ 205,356          |
| Tax-exempt income                                                               | (1,395)                               | (1,355)             |
| Unrecognized deductible temporary differences                                   | (12,305)                              | (22,297)            |
| Income tax on unappropriated earnings                                           | 4,841                                 | 21,742              |
| Effect of tax rate changes                                                      | (6,249)                               | -                   |
| Effect of different tax rate of group entities operating in other jurisdictions | 8,917                                 | 22,093              |
| Adjustments for prior years' tax                                                | <u>3,060</u>                          | <u>10,573</u>       |
| Income tax expense recognized in profit or loss                                 | <u>\$ 141,560</u>                     | <u>\$ 236,112</u>   |

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 were adjusted and increased by \$7,147 thousand and \$898 thousand, respectively, in 2018.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

|                                                    | <b>For the Year Ended December 31</b> |             |
|----------------------------------------------------|---------------------------------------|-------------|
|                                                    | <b>2018</b>                           | <b>2017</b> |
| <u>Deferred tax</u>                                |                                       |             |
| In respect of the current year:                    |                                       |             |
| Actuarial gains and losses on defined benefit plan | \$ (518)                              | \$ 1,252    |

c. Current tax assets and liabilities

|                         | <b>December 31</b> |             |
|-------------------------|--------------------|-------------|
|                         | <b>2018</b>        | <b>2017</b> |
| Current tax assets      |                    |             |
| Tax refund receivable   | \$ 17,461          | \$ 16,784   |
| Current tax liabilities |                    |             |
| Income tax payable      | \$ 54,033          | \$ 111,758  |

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

|                                | <b>Opening<br/>Balance</b> | <b>Recognized in<br/>Profit or Loss</b> | <b>Recognized in<br/>Other<br/>Compre-<br/>hensive<br/>Income</b> | <b>Closing<br/>Balance</b> |
|--------------------------------|----------------------------|-----------------------------------------|-------------------------------------------------------------------|----------------------------|
| <u>Deferred tax assets</u>     |                            |                                         |                                                                   |                            |
| Temporary differences          |                            |                                         |                                                                   |                            |
| Defined benefit obligation     | \$ 10,117                  | \$ 80                                   | \$ (518)                                                          | \$ 9,679                   |
| Allowance for inventory losses | 2,019                      | 607                                     | -                                                                 | 2,626                      |
| Others                         | 28,362                     | 575                                     | -                                                                 | 28,937                     |
|                                | <u>\$ 40,498</u>           | <u>\$ 1,262</u>                         | <u>\$ (518)</u>                                                   | <u>\$ 41,242</u>           |

(Continued)

|                                 | Opening<br>Balance | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Compre-<br>hensive<br>Income | Closing<br>Balance |
|---------------------------------|--------------------|---------------------------------|--------------------------------------------------------|--------------------|
| <u>Deferred tax liabilities</u> |                    |                                 |                                                        |                    |
| Temporary differences           |                    |                                 |                                                        |                    |
| Others                          | \$ 5,087           | \$ (3,428)                      | \$ -                                                   | \$ 1,659           |
| Land incremental tax            | <u>150,799</u>     | <u>-</u>                        | <u>-</u>                                               | <u>150,799</u>     |
|                                 | <u>\$ 155,886</u>  | <u>\$ (3,428)</u>               | <u>\$ -</u>                                            | <u>\$ 152,458</u>  |
|                                 |                    |                                 |                                                        | (Concluded)        |

For the year ended December 31, 2017

|                                   | Opening<br>Balance | Recognized in<br>Profit or Loss | Recognized in<br>Other<br>Compre-<br>hensive<br>Income | Closing<br>Balance |
|-----------------------------------|--------------------|---------------------------------|--------------------------------------------------------|--------------------|
| <u>Deferred tax assets</u>        |                    |                                 |                                                        |                    |
| Temporary differences             |                    |                                 |                                                        |                    |
| Defined benefit obligation        | \$ 10,214          | \$ (1,349)                      | \$ 1,252                                               | \$ 10,117          |
| Allowance for inventory<br>losses | 1,548              | 471                             | -                                                      | 2,019              |
| Others                            | <u>33,758</u>      | <u>(5,396)</u>                  | <u>-</u>                                               | <u>28,362</u>      |
|                                   | <u>\$ 45,520</u>   | <u>\$ (6,274)</u>               | <u>\$ 1,252</u>                                        | <u>\$ 40,498</u>   |

Deferred tax liabilities

|                       |                   |                 |             |                   |
|-----------------------|-------------------|-----------------|-------------|-------------------|
| Temporary differences |                   |                 |             |                   |
| Others                | \$ -              | \$ 5,087        | \$ -        | \$ 5,087          |
| Land incremental tax  | <u>150,799</u>    | <u>-</u>        | <u>-</u>    | <u>150,799</u>    |
|                       | <u>\$ 150,799</u> | <u>\$ 5,087</u> | <u>\$ -</u> | <u>\$ 155,886</u> |

e. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities. The Company includes the Hong Kong branch's income in the calculation of its taxable income during tax declaration each year, and applied for tax refund after attestation by a local organization in Hong Kong recognized by the ROC. As of December 31, 2018, Hu Lane Associate applied for refund of tax through 2015, which was approved by the tax authorities through 2015. As of December 31, 2018 and 2017, tax refund receivables amounted to \$15,382 thousand and \$16,784 thousand, respectively.

## 19. EARNINGS PER SHARE

|                            | <b>For the Year Ended December 31</b> |                 |
|----------------------------|---------------------------------------|-----------------|
|                            | <b>2018</b>                           | <b>2017</b>     |
| Basic earnings per share   | <u>\$ 6.00</u>                        | <u>\$ 10.00</u> |
| Diluted earnings per share | <u>\$ 5.97</u>                        | <u>\$ 9.95</u>  |

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

|                                                                | <b>For the Year Ended December 31</b> |                   |
|----------------------------------------------------------------|---------------------------------------|-------------------|
|                                                                | <b>2018</b>                           | <b>2017</b>       |
| Earnings used in the computation of basic earnings per share   | <u>\$ 583,304</u>                     | <u>\$ 971,866</u> |
| Earnings used in the computation of diluted earnings per share | <u>\$ 583,304</u>                     | <u>\$ 971,866</u> |

Weighted average number of ordinary shares outstanding (in thousands of shares):

|                                                                                                  | <b>For the Year Ended December 31</b> |               |
|--------------------------------------------------------------------------------------------------|---------------------------------------|---------------|
|                                                                                                  | <b>2018</b>                           | <b>2017</b>   |
| Weighted average number of ordinary shares used in the computation of basic earnings per share   | 97,221                                | 97,184        |
| Effect of potentially dilutive ordinary shares:                                                  |                                       |               |
| Employee share options                                                                           | 4                                     | 16            |
| Employees' compensation                                                                          | <u>544</u>                            | <u>490</u>    |
| Weighted average number of ordinary shares used in the computation of diluted earnings per share | <u>97,769</u>                         | <u>97,690</u> |

Since the Group offered to settle compensation paid to employees in cash or shares, the Group assumed the entire amount of the compensation will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 20. SHARE-BASED PAYMENT ARRANGEMENTS

### Employee Share Option Plan of the Company

Qualified employees of the Company and its subsidiaries were granted 890 options in March 2009. Each option entitles the holder to subscribe for one thousand ordinary shares of the Company. The options granted are valid for 10 years and exercisable at certain percentages after the second to fourth anniversary from the grant date. The options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taipei Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

|                                                        | <b>2018</b>                                     |                                                                | <b>2017</b>                                     |                                                                |
|--------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------|----------------------------------------------------------------|
|                                                        | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> | <b>Number of<br/>Options (In<br/>Thousands)</b> | <b>Weighted-<br/>average<br/>Exercise<br/>Price<br/>(NT\$)</b> |
| Balance at January 1                                   | 18.4                                            | \$ 15.8                                                        | 51.6                                            | \$ 16.36                                                       |
| Options exercised                                      | <u>(13.4)</u>                                   | 15.68                                                          | <u>(33.2)</u>                                   | 15.87                                                          |
| Balance at December 31                                 | <u>5</u>                                        | 14.87                                                          | <u>18.4</u>                                     | 15.80                                                          |
| Options exercisable, end of year                       | <u>5</u>                                        | 14.87                                                          | <u>18.4</u>                                     | 15.80                                                          |
| Weighted-average fair value of options<br>granted (\$) | <u>\$ 7,792</u>                                 |                                                                | <u>\$ 7,792</u>                                 |                                                                |

The weighted-average share prices at the date of exercise of share options for the years ended December 31, 2018 and 2017 were \$140.51 and \$152.39, respectively.

Information about outstanding options as of December 31, 2018 and 2017 was as follows:

|                                                     | <b>December 31</b> |             |
|-----------------------------------------------------|--------------------|-------------|
|                                                     | <b>2018</b>        | <b>2017</b> |
| Range of exercise price (NT\$)                      | \$ 14.87           | \$ 15.80    |
| Weighted-average remaining contractual life (years) | 0.24               | 1.25        |

## 21. BUSINESS COMBINATIONS

### a. Acquisition of subsidiaries

|                                  | <b>Principal<br/>Activity</b> | <b>Date of Acquisition</b> | <b>Proportion of<br/>Voting Equity<br/>Interests<br/>Acquired (%)</b> | <b>Consideration<br/>Transferred</b> |
|----------------------------------|-------------------------------|----------------------------|-----------------------------------------------------------------------|--------------------------------------|
| PT. Hulane Tech<br>Manufacturing | Manufacturing                 | December 31, 2017          | 80                                                                    | <u>\$ 15,472</u>                     |

PT. Hulane Tech Manufacturing was acquired for the purpose of expanding the Group's operations.

### b. Consideration transferred

|      | <b>PT. Hulane<br/>Tech<br/>Manufacturing</b> |
|------|----------------------------------------------|
| Cash | <u>\$ 15,472</u>                             |

c. Assets acquired and liabilities assumed at the date of acquisition

|                               | <b>PT. Hulane<br/>Tech<br/>Manufacturing</b> |
|-------------------------------|----------------------------------------------|
| Current assets                |                                              |
| Cash and cash equivalents     | \$ 560                                       |
| Accounts receivable           | 1,131                                        |
| Inventories                   | 3,034                                        |
| Other current assets          | 1,254                                        |
| Non-current assets            |                                              |
| Property, plant and equipment | 15,675                                       |
| Current liabilities           |                                              |
| Accounts payable              | (1,534)                                      |
| Other payables                | <u>(780)</u>                                 |
|                               | <u>\$ 19,340</u>                             |

d. Non-controlling interests

The non-controlling interest (a 20% ownership interest in PT. Hulane Tech Manufacturing) recognized at the acquisition date was measured by reference to the amount of the acquiree's identifiable net assets acquired that is in proportion to the Group's share.

e. Net cash outflow on acquisition of subsidiaries

|                                                           | <b>For the Year<br/>Ended<br/>December 31,<br/>2017</b> |
|-----------------------------------------------------------|---------------------------------------------------------|
| Consideration paid in cash                                | \$ 15,472                                               |
| Less: Balance on acquisition of cash and cash equivalents | <u>(560)</u>                                            |
|                                                           | <u>\$ 14,912</u>                                        |

f. Impact of acquisition on the results of the Group

Had the business combination been in effect at the beginning of the annual reporting period, the Group's revenue would have been \$4,090,910 thousand, and the profit would have been \$1,235,911 thousand for the year ended December 31, 2017. This pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2017, nor is it intended to be a projection of future results.

## 22. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

|                       | <b>December 31</b>      |                         |
|-----------------------|-------------------------|-------------------------|
|                       | <b>2018</b>             | <b>2017</b>             |
| Not later than 1 year | \$ 20,724               | \$ 12,728               |
| 1-5 years             | 13,798                  | 11,749                  |
| More than 5 years     | <u>1,221</u>            | <u>1,313</u>            |
|                       | <u><b>\$ 35,743</b></u> | <u><b>\$ 25,790</b></u> |

b. Long-term prepayments for leases

The long-term prepayments for leases were payments for lease of rights to superficies of land in China and Vietnam. As of December 31, 2018 and 2017, the unamortized balance of long-term prepayments for leases was \$76,689 thousand and \$80,135 thousand, respectively.

## 23. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in the reporting period.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

The Group is not subject to any external imposed capital requirements.

## 24. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not carried at fair value

Management believes the carrying amounts of financial assets and financial liabilities not carried at fair values approximate their fair values.

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

1) Fair value hierarchy

December 31, 2018

|                           | <b>Level 1</b>          | <b>Level 2</b>     | <b>Level 3</b>     | <b>Total</b>            |
|---------------------------|-------------------------|--------------------|--------------------|-------------------------|
| Financial assets at FVTPL |                         |                    |                    |                         |
| Domestic listed shares    | \$ 356                  | \$ -               | \$ -               | \$ 356                  |
| Mutual funds              | <u>47,606</u>           | <u>-</u>           | <u>-</u>           | <u>47,606</u>           |
|                           | <u><b>\$ 47,962</b></u> | <u><b>\$ -</b></u> | <u><b>\$ -</b></u> | <u><b>\$ 47,962</b></u> |

December 31, 2017

|                                                  | Level 1    | Level 2    | Level 3    | Total      |
|--------------------------------------------------|------------|------------|------------|------------|
| Financial assets at FVTPL                        |            |            |            |            |
| Non-derivative financial assets held for trading | \$ 148,155 | \$ _____ - | \$ _____ - | \$ 148,155 |

There were no transfers between Levels 1 and 2 in the current and prior periods.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2018

|                                         | Financial Assets<br>at Fair Value<br>Through Profit<br>or Loss |
|-----------------------------------------|----------------------------------------------------------------|
|                                         | <u>Structured<br/>Deposits</u>                                 |
| <u>Financial assets</u>                 |                                                                |
| Balance at January 1, 2018              | \$ -                                                           |
| Purchases                               | 18,372                                                         |
| Disposal                                | (18,479)                                                       |
| Recognized in profit or loss - realized | <u>107</u>                                                     |
| Balance at December 31, 2018            | <u>\$ -</u>                                                    |

For the year ended December 31, 2017

|                                         | Financial Assets<br>at Fair Value<br>Through Profit<br>or Loss |
|-----------------------------------------|----------------------------------------------------------------|
|                                         | <u>Structured<br/>Deposits</u>                                 |
| <u>Financial assets</u>                 |                                                                |
| Balance at January 1, 2017              | \$ -                                                           |
| Purchases                               | 11,017                                                         |
| Recognized in profit or loss - realized | 24                                                             |
| Disposals                               | <u>(11,041)</u>                                                |
| Balance at December 31, 2017            | <u>\$ -</u>                                                    |

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

Fair value of structured deposits was calculated based on the discounted cash flow of income from holding the investment.

c. Categories of financial instruments

|                                           | December 31 |            |
|-------------------------------------------|-------------|------------|
|                                           | 2018        | 2017       |
| <u>Financial assets</u>                   |             |            |
| Fair value through profit or loss (FVTPL) |             |            |
| Held for trading                          | \$ -        | \$ 148,155 |
| Mandatorily classified as at FVTPL        | 47,962      | -          |
| Financial assets at amortized cost (1)    | 2,585,334   | -          |
| Loans and receivables (2)                 | -           | 3,019,577  |

Financial liabilities

|                    |           |           |
|--------------------|-----------|-----------|
| Amortized cost (3) | 2,189,274 | 2,071,997 |
|--------------------|-----------|-----------|

- 1) The balances include financial assets measured at amortized cost, which comprised cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, other receivables and part of other non-current assets.
- 2) The balances include loans and receivables measured at amortized cost, which comprised cash and cash equivalents, debt investments with no active market, notes receivable, trade receivables, other receivables and part of other non-current assets.
- 3) The balances include financial liabilities measured at amortized cost, which comprised short-term loans, notes payable, trade payables, other payables and part of other non-current liabilities.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity investments, trade receivables, trade payables and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The corporate treasury function reports quarterly to the Group's board of directors.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below) and interest rates (see (b) below).

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 27.

### Sensitivity analysis

The Group was mainly exposed to the USD and the RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the New Taiwan dollar strengthening 5% against the relevant currency. For a 5% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity and the balances below would be negative.

|                | <b>USD Impact</b>                     |             | <b>RMB Impact</b>                     |             |
|----------------|---------------------------------------|-------------|---------------------------------------|-------------|
|                | <b>For the Year Ended December 31</b> |             | <b>For the Year Ended December 31</b> |             |
|                | <b>2018</b>                           | <b>2017</b> | <b>2018</b>                           | <b>2017</b> |
| Profit or loss | \$ 21,219                             | \$ 23,683   | \$ 53,727                             | \$ 63,038   |

#### b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates.

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

|                               | <b>December 31</b> |             |
|-------------------------------|--------------------|-------------|
|                               | <b>2018</b>        | <b>2017</b> |
| Fair value interest rate risk |                    |             |
| Financial assets              | \$ 507,410         | \$ 371,748  |
| Financial liabilities         | 1,399,440          | 899,500     |
| Cash flow interest rate risk  |                    |             |
| Financial assets              | 453,426            | 609,532     |
| Financial liabilities         | -                  | -           |

### Sensitivity analysis

The sensitivity analyses were determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. The Group's floating-rate financial assets were demand deposits, which fluctuated moderately, and accordingly the Group was exposed to low interest rate risk. On the other hand, no floating-rate liabilities were held at the end of the reporting period, and no related sensitivity analysis was performed.

## 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by related departments such as executive vice president, internal auditors, and financial accounting.

The Group transacts with a large number of diverse customers from different industries and geographical locations; the Group performs ongoing credit evaluation on the financial condition of trade receivables and controlled the credit risk exposure.

The Group transacted with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

## 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized short-term bank loan facilities set out in (b) below.

### a) Liquidity and interest risk rate tables

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

To the extent that interest flows are floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

|                                                 | On Demand or<br>Less Than<br>1 Month | 1-3 Months        | 3 Months to<br>1 Year | 1-5 Years     | 5+ Years    |
|-------------------------------------------------|--------------------------------------|-------------------|-----------------------|---------------|-------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                   |                       |               |             |
| Non-interest bearing liabilities                | \$ 200,612                           | \$ 531,617        | \$ 40,070             | \$ 662        | \$ -        |
| Variable interest rate liabilities              | -                                    | -                 | -                     | -             | -           |
| Fixed interest rate liabilities                 | <u>931,235</u>                       | <u>81,342</u>     | <u>390,800</u>        | <u>-</u>      | <u>-</u>    |
|                                                 | <u>\$ 1,131,847</u>                  | <u>\$ 612,959</u> | <u>\$ 430,870</u>     | <u>\$ 662</u> | <u>\$ -</u> |

December 31, 2017

|                                                 | On Demand or<br>Less Than<br>1 Month | 1-3 Months        | 3 Months to<br>1 Year | 1-5 Years       | 5+ Years    |
|-------------------------------------------------|--------------------------------------|-------------------|-----------------------|-----------------|-------------|
| <u>Non-derivative<br/>financial liabilities</u> |                                      |                   |                       |                 |             |
| Non-interest bearing liabilities                | \$ 203,683                           | \$ 886,649        | \$ 61,814             | \$ 2,873        | \$ -        |
| Variable interest rate liabilities              | -                                    | -                 | -                     | -               | -           |
| Fixed interest rate liabilities                 | <u>900,092</u>                       | <u>-</u>          | <u>-</u>              | <u>-</u>        | <u>-</u>    |
|                                                 | <u>\$ 1,103,775</u>                  | <u>\$ 886,649</u> | <u>\$ 61,814</u>      | <u>\$ 2,873</u> | <u>\$ -</u> |

b) Financing facilities

|                                                         | <u>December 31</u>  |                     |
|---------------------------------------------------------|---------------------|---------------------|
|                                                         | <u>2018</u>         | <u>2017</u>         |
| Unsecured bank overdraft facilities, reviewed annually: |                     |                     |
| Amount used                                             | \$ 899,440          | \$ 599,500          |
| Amount unused                                           | <u>474,135</u>      | <u>548,100</u>      |
|                                                         | <u>\$ 1,373,575</u> | <u>\$ 1,147,600</u> |
| Secured bank overdraft facilities:                      |                     |                     |
| Amount used                                             | \$ 500,000          | \$ 300,000          |
| Amount unused                                           | <u>700,000</u>      | <u>1,109,000</u>    |
|                                                         | <u>\$ 1,200,000</u> | <u>\$ 1,409,000</u> |

e. Financial asset transfer information

Factored trade receivables for the years ended December 31, 2018 and 2017 were as follows:

| Counterparty       | Receivables Sold | Amounts Collected | Advances Received at Year-end | Interest Rates on Advances Received (%) | Credit Line (In Thousands) |
|--------------------|------------------|-------------------|-------------------------------|-----------------------------------------|----------------------------|
| <u>2018</u>        |                  |                   |                               |                                         |                            |
| Cathay United Bank | \$ 717,391       | \$ 717,391        | \$ -                          | Floating rate                           | RMB 50,000                 |
| <u>2017</u>        |                  |                   |                               |                                         |                            |
| Cathay United Bank | \$ 284,044       | \$ 284,044        | \$ -                          | Floating rate                           | RMB 50,000                 |

The above credit lines may be used on a revolving basis.

Pursuant to the Group's factoring agreements, losses from commercial disputes (such as sales returns and discounts) are borne by the Group, while losses from credit risk are borne by the banks.

During 2018 and 2017, the Group discounted notes receivable with an aggregate carrying amount of \$1,004,440 thousand and \$513,617 thousand to a bank for cash proceeds of \$1,004,440 thousand and \$513,617 thousand, respectively. According to the contract, if the notes receivable are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance, as the Group has not transferred the significant risks and rewards relating to these notes receivable.

As of December 31, 2018 and 2017, the carrying amount of the notes receivable that have been transferred but have not been derecognized was \$40,740 thousand and \$214,860 thousand, respectively, and the carrying amount of the related liabilities (recorded as other payables) was \$40,740 thousand and \$214,860 thousand, respectively.

## 25. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related parties and their relationships with the Group:

| Related Party                         | Relationship with the Group                                            |
|---------------------------------------|------------------------------------------------------------------------|
| PT. Delta Hulane Pacific Co., Limited | Associate (no longer a related party in substance since April 1, 2018) |
| Tay Lian Electronics Limited          | Related party in substance                                             |

b. Purchases

| Related Party                                   | For the Year Ended December 31 |               |
|-------------------------------------------------|--------------------------------|---------------|
|                                                 | 2018                           | 2017          |
| Associate/PT. Delta Hulane Pacific Co., Limited | \$ <u>126</u>                  | \$ <u>623</u> |

The Group mainly purchased products such as connectors and terminals from related parties, of which the purchase price was based on the cost negotiated by both parties with reference to the market rate. The payment terms for products purchased from related parties were open account 90 days, similar to those for products purchased from third parties.

c. Other payables

| Related Party                | December 31      |            |                  |            |
|------------------------------|------------------|------------|------------------|------------|
|                              | 2018             |            | 2017             |            |
|                              | Amount           | % of Total | Amount           | % of Total |
| Tay Lian Electronics Limited | \$ 16,873        | 100        | \$ 17,225        | 99         |
| Others                       | <u>-</u>         | <u>-</u>   | <u>253</u>       | <u>1</u>   |
|                              | <u>\$ 16,873</u> | <u>100</u> | <u>\$ 17,478</u> | <u>100</u> |

d. Compensation of key management personnel

|                                           | For the Year Ended December 31 |                  |
|-------------------------------------------|--------------------------------|------------------|
|                                           | 2018                           | 2017             |
| Salaries and short-term employee benefits | \$ 58,643                      | \$ 74,481        |
| Post-employment benefits                  | <u>1,104</u>                   | <u>1,187</u>     |
|                                           | <u>\$ 59,747</u>               | <u>\$ 75,668</u> |

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

## 26. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings:

|                  | December 31         |                     |
|------------------|---------------------|---------------------|
|                  | 2018                | 2017                |
| Land             | \$ 978,565          | \$ 978,565          |
| Buildings        | 22,735              | 24,086              |
| Notes receivable | <u>40,740</u>       | <u>214,860</u>      |
|                  | <u>\$ 1,042,040</u> | <u>\$ 1,217,511</u> |

Land and buildings were recorded as property, plant and equipment.

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

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

|                                                   | December 31        |               |                    |                    |               |                    |
|---------------------------------------------------|--------------------|---------------|--------------------|--------------------|---------------|--------------------|
|                                                   | 2018               |               |                    | 2017               |               |                    |
|                                                   | Foreign Currencies | Exchange Rate | New Taiwan Dollars | Foreign Currencies | Exchange Rate | New Taiwan Dollars |
| <u>Financial assets</u>                           |                    |               |                    |                    |               |                    |
| Monetary items                                    |                    |               |                    |                    |               |                    |
| USD                                               | \$ 24,803          | 30.715        | \$ 761,827         | \$ 24,015          | 29.76         | \$ 714,686         |
| EUR                                               | 980                | 35.20         | 34,502             | 842                | 35.57         | 29,960             |
| RMB                                               | 256,097            | 4.472         | 1,145,266          | 297,837            | 4.565         | 1,359,628          |
| Non-monetary items                                |                    |               |                    |                    |               |                    |
| Investments accounted for using the equity method |                    |               |                    |                    |               |                    |
| IDR                                               | -                  | -             | -                  | 5,636,488          | 0.0022        | 12,400             |
| <u>Financial liabilities</u>                      |                    |               |                    |                    |               |                    |
| Monetary items                                    |                    |               |                    |                    |               |                    |
| USD                                               | 10,986             | 30.715        | 337,443            | 8,099              | 29.76         | 241,026            |
| RMB                                               | 15,815             | 4.472         | 70,723             | 21,656             | 4.565         | 98,860             |

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

| For the Year Ended December 31 |                  |                                  |                  |                                  |
|--------------------------------|------------------|----------------------------------|------------------|----------------------------------|
| Foreign Currency               | 2018             |                                  | 2017             |                                  |
|                                | Exchange Rate    | Net Foreign Exchange Gain (Loss) | Exchange Rate    | Net Foreign Exchange Gain (Loss) |
| NTD                            | 1 (NTD:NTD)      | \$ (3,410)                       | 1 (NTD:NTD)      | \$ (49,454)                      |
| RMB                            | 4.472 (RMB:NTD)  | (4,432)                          | 4.565 (RMB:NTD)  | 35                               |
| VND                            | 0.0012 (VND:NTD) | (2,024)                          | 0.0012 (VND:NTD) | (228)                            |
| IDR                            | 0.0021 (IDR:NTD) | (1,035)                          | 0.0012 (IDR:NTD) | -                                |
| HKD                            | 3.921 (HKD:NTD)  | (8)                              | 3.807 (HKD:NTD)  | 6,626                            |
|                                |                  | <u>\$ (10,909)</u>               |                  | <u>\$ (43,021)</u>               |

## 28. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries, associates and jointly controlled entities). (Table 3)
- 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)

- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 4)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 5)
  - 9) Trading in derivative instruments. (None)
  - 10) Intercompany relationships and significant intercompany transactions. (Table 6)
  - 11) Information on investees. (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 8)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (Tables 1, 2 and 9)
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
    - c) The amount of property transactions and the amount of the resultant gains or losses.
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
    - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
    - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.

## 29. SEGMENT INFORMATION

The Group makes operating decisions based on the information of the Group as a whole; thus, the Group is treated as a single operating segment, and there is no need to disclose the financial information of operating segments.

a. Revenue from major products and services

The major products of the Group are connectors.

b. Geographical information

The Group operates in two principal geographical areas - China and Asia.

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

|       | <b>Revenue from<br/>External Customers</b> |                     | <b>Non-current Assets</b>             |                     |
|-------|--------------------------------------------|---------------------|---------------------------------------|---------------------|
|       | <b>For the Year Ended December 31</b>      |                     | <b>For the Year Ended December 31</b> |                     |
|       | <b>2018</b>                                | <b>2017</b>         | <b>2018</b>                           | <b>2017</b>         |
| China | \$ 3,062,814                               | \$ 2,986,020        | \$ 1,307,500                          | \$ 1,208,993        |
| Asia  | <u>1,016,967</u>                           | <u>1,090,603</u>    | <u>1,749,676</u>                      | <u>1,428,798</u>    |
|       | <u>\$ 4,079,781</u>                        | <u>\$ 4,076,623</u> | <u>\$ 3,057,176</u>                   | <u>\$ 2,637,791</u> |

Non-current assets exclude deferred tax assets.

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue for 2018 and 2017.

TABLE 1

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Lender                                | Borrower                               | Financial Statement Account            | Related Party | Highest Balance for the Period | Ending Balance       | Actual Amount Borrowed | Interest Rate            | Nature of Financing  | Business Transaction Amounts | Reasons for Short-term Financing | Allowance for Impairment Loss | Collateral |       | Financing Limit for Each Borrower | Aggregate Financing Limit | Note |
|-----|---------------------------------------|----------------------------------------|----------------------------------------|---------------|--------------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------------|----------------------------------|-------------------------------|------------|-------|-----------------------------------|---------------------------|------|
|     |                                       |                                        |                                        |               |                                |                      |                        |                          |                      |                              |                                  |                               | Item       | Value |                                   |                           |      |
| 1   | Evervalue Investments Limited         | Dongguan Hulane Electronics Technology | Other receivables from related parties | Yes           | \$ 15,358 (US\$ 500)           | \$ 15,358 (US\$ 500) | \$ 15,358 (US\$ 500)   | 3%                       | Short-term financing | \$ -                         | Operations                       | \$ -                          | None       | \$ -  | \$ 941,533                        | \$ 941,533                |      |
| 2   | Telford Investments Limited           | Dongguan Hulane Electronics Technology | Other receivables from related parties | Yes           | 122,860 (US\$ 4,000)           | 92,145 (US\$ 3,000)  | 92,145 (US\$ 3,000)    | 3% - 6 months Libor+3.5% | Short-term financing | -                            | Operations                       | -                             | None       | -     | 167,407                           | 167,407                   |      |
| 3   | Hulane Electronics (Shenzhen) Limited | Dongguan Hulane Electronics Technology | Other receivables from related parties | Yes           | 101,514 (RMB 22,700)           | - (RMB -)            | - (RMB -)              | 0.5%-4.35%               | Short-term financing | -                            | Operations                       | -                             | None       | -     | 30,187                            | 30,187                    |      |
| 4   | Evervalue Investments Limited         | PT. Hulane tech manufacturing          | Other receivables from related parties | Yes           | 30,715 (US\$ 1,000)            | 30,715 (US\$ 1,000)  | 30,715 (US\$ 1,000)    | 5%                       | Short-term financing | -                            | Operations                       | -                             | None       | -     | 941,533                           | 941,533                   |      |
| 5   | Hulane Shenzhen                       | Dongguan Hulane Electronics Technology | Other receivables from related parties | Yes           | 19,230 (US\$ 4,300)            | - (RMB -)            | - (RMB -)              | 0.5%                     | Short-term financing | -                            | Operations                       | -                             | None       | -     | 19,473                            | 19,473                    |      |

TABLE 2

HU LANE ASSOCIATE INC. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

| No. | Endorser/Guarantor     | Endorsee/Guarantee            |                                                                                                                            | Limits on<br>Endorsement/<br>Guarantee<br>Amount<br>Provided to<br>Each<br>Counterparty | Maximum<br>Amount<br>Endorsed/<br>Guaranteed<br>During the<br>Period | Outstanding<br>Endorsement/<br>Guarantee at the<br>End of the<br>Period | Actual Amount<br>Borrowed | Amount<br>Endorsed/<br>Guaranteed by<br>Collateral | Ratio of<br>Accumulated<br>Endorsement/<br>Guarantee to<br>Net Equity in<br>Latest Financial<br>Statements<br>(%) | Aggregate<br>Endorsement/<br>Guarantee Limit | Endorsement/<br>Guarantee<br>Given by Parent<br>on Behalf of<br>Subsidiaries | Endorsement/<br>Guarantee<br>Given by<br>Subsidiaries on<br>Behalf of Parent | Endorsement/<br>Guarantee<br>Given on Behalf<br>of Companies in<br>Mainland China |
|-----|------------------------|-------------------------------|----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------|----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
|     |                        | Name                          | Nature of Relationship                                                                                                     |                                                                                         |                                                                      |                                                                         |                           |                                                    |                                                                                                                   |                                              |                                                                              |                                                                              |                                                                                   |
| 0   | Hu Lane Associate Inc. | Evervalue Investments Limited | Subsidiary of which more than 50%<br>of its shares is held by the investor                                                 | \$ 860,352                                                                              | \$ 313,293                                                           | \$ 98,288<br>(US\$ 3,200)                                               | \$ -                      | \$ -                                               | 2.28                                                                                                              | \$ 1,720,704                                 | Y                                                                            | N                                                                            | N                                                                                 |
|     |                        | Dongguan Puguang              | Investee company of which more than<br>50% of its ordinary shares is held<br>by the parent company and its<br>subsidiaries | 430,176                                                                                 | 153,575                                                              | 153,575<br>(US\$ 5,000)                                                 | 89,440<br>(RMB 20,000)    | -                                                  | 3.57                                                                                                              | 1,720,704                                    | Y                                                                            | N                                                                            | Y                                                                                 |

**TABLE 3**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**MARKETABLE SECURITIES HELD  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

| Holding Company Name       | Type and Name of Marketable Securities                   | Relationship with the Holding Company | Financial Statement Account                                     | December 31, 2018 |                 |                         |            | Note |
|----------------------------|----------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------|-------------------|-----------------|-------------------------|------------|------|
|                            |                                                          |                                       |                                                                 | Number of Shares  | Carrying Amount | Percentage of Ownership | Fair Value |      |
| Hu Lane Associate Inc.     | <u>Domestic listed shares</u><br>Chia Chang Co., Limited | -                                     | Financial assets at fair value through profit or loss - current | 10                | \$ 356          | -                       | \$ 356     |      |
|                            | <u>Mutual funds</u><br>Hua Nan                           | -                                     | Financial assets at fair value through profit or loss - current | 3,712             | 38,567          | -                       | 38,567     |      |
| Chiren Investments Limited | <u>Mutual funds</u><br>Jih Sun Money Market Fund         | -                                     | Financial assets at fair value through profit or loss - current | 611               | 9,039           | -                       | 9,039      |      |

**TABLE 4**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Buyer                                     | Related Party                             | Relationship               | Transaction Details |              |            |               | Abnormal Transaction                               |                                                              | Notes/Accounts Receivable (Payable) |            | Note |
|-------------------------------------------|-------------------------------------------|----------------------------|---------------------|--------------|------------|---------------|----------------------------------------------------|--------------------------------------------------------------|-------------------------------------|------------|------|
|                                           |                                           |                            | Purchase/Sale       | Amount       | % of Total | Payment Terms | Unit Price                                         | Payment Terms                                                | Ending Balance                      | % to Total |      |
| Hulane Electronics (Nanjing) Limited      | Dongguan Hulane Puguang Trading Co., Ltd. | Related party in substance | Sale                | \$ (905,394) | (79)       | 270 days      | Not significantly different from general customers | Credit conditions adjusted based on China's trading practice | \$ 511,581                          | 88         |      |
|                                           | Hu Lane Associate Inc.                    | Parent company             | Sale                | (200,599)    | (17)       | 90 days       | Not significantly different from general customers | Not significantly different from general customers           | 41,159                              | 7          |      |
| Dongguan Hulane Electronics Technology    | Dongguan Hulane Puguang Trading Co., Ltd. | Related party in substance | Sale                | (1,446,297)  | (76)       | 270 days      | Not significantly different from general customers | Not significantly different from general customers           | 829,219                             | 92         |      |
|                                           | Hu Lane Associate Inc.                    | Parent company             | Sale                | (374,441)    | (20)       | 90 days       | Not significantly different from general customers | Not significantly different from general customers           | 31,622                              | 4          |      |
| Hu Lane Associate Inc.                    | Dongguan Hulane Electronics Technology    | Subsidiary                 | Sale                | (865,897)    | (40)       | 270 days      | Not significantly different from general customers | Credit conditions adjusted based on China's trading practice | 825,987                             | 71         |      |
| Dongguan Hulane Electronics Technology    | Hu Lane Associate Inc.                    | Parent company             | Purchase            | 865,897      | 61         | 270 days      | Not significantly different from general customers | Credit conditions adjusted based on China's trading practice | (825,987)                           | (85)       |      |
| Dongguan Hulane Puguang Trading Co., Ltd. | Hulane Electronics (Nanjing) Limited      | Related party in substance | Purchase            | 905,394      | 38         | 270 days      | Not significantly different from general customers | Credit conditions adjusted based on China's trading practice | (511,581)                           | (38)       |      |
| Hu Lane Associate Inc.                    | Hulane Electronics (Nanjing) Limited      | Subsidiary                 | Purchase            | 200,599      | 15         | 90 days       | Not significantly different from general customers | Not significantly different from general customers           | (41,159)                            | (21)       |      |
|                                           | Dongguan Hulane Electronics Technology    | Subsidiary                 | Purchase            | 374,441      | 29         | 90 days       | Not significantly different from general customers | Not significantly different from general customers           | (31,622)                            | (16)       |      |
| Dongguan Hulane Puguang Trading Co., Ltd. | Dongguan Hulane Electronics Technology    | Related party in substance | Purchase            | 1,446,297    | 61         | 270 days      | Not significantly different from general customers | Not significantly different from general customers           | (829,219)                           | (62)       |      |

**TABLE 5**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Company Name                           | Related Party                             | Relationship               | Ending Balance | Turnover Rate | Overdue |               | Amounts Received in Subsequent Period | Allowance for Impairment Loss |
|----------------------------------------|-------------------------------------------|----------------------------|----------------|---------------|---------|---------------|---------------------------------------|-------------------------------|
|                                        |                                           |                            |                |               | Amount  | Actions Taken |                                       |                               |
| Hulane Electronics (Nanjing) Limited   | Dongguan Hulane Puguang Trading Co., Ltd. | Related party in substance | \$ 511,581     | 1.50          | \$ -    | -             | \$ 53,664                             | -                             |
| Dongguan Hulane Electronics Technology | Dongguan Hulane Puguang Trading Co., Ltd. | Related party in substance | 829,219        | 1.68          | -       | -             | 15,710                                | -                             |
| Hu Lane Associate Inc.                 | Dongguan Hulane Electronics Technology    | Subsidiary                 | 825,987        | 0.95          | 260,193 | -             | 88,288                                | -                             |

**TABLE 6**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

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

| No. | Investee Company                       | Counterparty                              | Relationship | Transaction Details                    |            |                                           |                            |
|-----|----------------------------------------|-------------------------------------------|--------------|----------------------------------------|------------|-------------------------------------------|----------------------------|
|     |                                        |                                           |              | Financial Statement Account            | Amount     | Payment Terms                             | % to Total Sales or Assets |
| 0   | Hu Lane Associate Inc.                 | Hulane Electronics (Nanjing) Limited      | a            | Purchase                               | \$ 200,599 | Based on general terms                    | 5                          |
|     |                                        | Hulane Electronics (Nanjing) Limited      | a            | Trade payables from related parties    | 41,159     | Regular settlement or debit-credit offset | 1                          |
|     |                                        | Hulane Electronics (Nanjing) Limited      | a            | Other receivables                      | 55,216     | Regular settlement or debit-credit offset | 1                          |
|     |                                        | Hulane Electronics (Nanjing) Limited      | a            | Other income                           | 47,618     | Based on general terms                    | 1                          |
|     |                                        | PT. Hulane Tech Manufacturing             | a            | Trade receivables from related parties | 75,292     | Regular settlement or debit-credit offset | 1                          |
|     |                                        | PT. Hulane Tech Manufacturing             | a            | Other receivables                      | 14,122     | Regular settlement or debit-credit offset | -                          |
|     |                                        | PT. Hulane Tech Manufacturing             | a            | Sales                                  | 80,278     | Based on general terms                    | 2                          |
|     |                                        | Hulane Electronics (Vietnam) Limited      | a            | Purchase                               | 32,475     | Based on general terms                    | 1                          |
|     |                                        | Hulane Electronics (Vietnam) Limited      | a            | Sales                                  | 27,017     | Based on general terms                    | 1                          |
|     |                                        | Hulane Electronics (Vietnam) Limited      | a            | Trade payables from related parties    | 11,574     | Regular settlement or debit-credit offset | -                          |
|     |                                        | Fortune Master Development Limited        | a            | Other receivables                      | 26,696     | Regular settlement or debit-credit offset | -                          |
|     |                                        | Dongguan Hulane Electronics Technology    | a            | Trade receivables from related parties | 825,987    | Regular settlement or debit-credit offset | 12                         |
|     |                                        | Dongguan Hulane Electronics Technology    | a            | Other receivables                      | 12,497     | Regular settlement or debit-credit offset | -                          |
|     |                                        | Dongguan Hulane Electronics Technology    | a            | Trade payables from related parties    | 31,622     | Regular settlement or debit-credit offset | -                          |
|     |                                        | Dongguan Hulane Electronics Technology    | a            | Sales                                  | 865,897    | Based on general terms                    | 21                         |
|     |                                        | Dongguan Hulane Electronics Technology    | a            | Purchase                               | 374,441    | Based on general terms                    | 9                          |
| 1   | Evervalue Investments Limited          | Dongguan Hulane Electronics Technology    | c            | Other receivables                      | 15,775     | Regular settlement or debit-credit offset | -                          |
|     |                                        | PT. Hulane Tech Manufacturing             | c            | Other receivables                      | 31,073     | Regular settlement or debit-credit offset | -                          |
| 2   | Telford Investments Limited            | Dongguan Hulane Electronics Technology    | c            | Other receivables                      | 93,488     | Regular settlement or debit-credit offset | 1                          |
| 3   | Fortune Master Development Limited     | Hulane Electronics (Vietnam) Limited      | c            | Trade receivables from related parties | 27,597     | Regular settlement or debit-credit offset | -                          |
| 4   | Hulane Electronics (Nanjing) Limited   | Dongguan Hulane Puguang Trading Co., Ltd. | c            | Sales                                  | 905,394    | Based on general terms                    | 22                         |
|     |                                        | Dongguan Hulane Puguang Trading Co., Ltd. | c            | Trade receivables from related parties | 511,581    | Regular settlement or debit-credit offset | 8                          |
|     |                                        | Dongguan Hulane Electronics Technology    | c            | Sales                                  | 14,892     | Based on general terms                    | -                          |
|     |                                        | Dongguan Hulane Electronics Technology    | c            | Purchase                               | 30,788     | Based on general terms                    | 1                          |
|     |                                        | Dongguan Hulane Electronics Technology    | c            | Trade payables from related parties    | 13,276     | Regular settlement or debit-credit offset | -                          |
| 5   | Dongguan Hulane Electronics Technology | Dongguan Hulane Puguang Trading Co., Ltd. | c            | Trade receivables from related parties | 829,219    | Regular settlement or debit-credit offset | 12                         |
|     |                                        | Dongguan Hulane Puguang Trading Co., Ltd. | c            | Sales                                  | 1,446,297  | Based on general terms                    | 35                         |

**TABLE 7**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investor Company                      | Investee Company                             | Location                                                   | Main<br>Businesses and<br>Products | Original Investment Amount |                      | As of December 31, 2018 |     |                    | Net Income<br>(Loss) of the<br>Investee | Share of<br>Profits (Loss) | Note |
|---------------------------------------|----------------------------------------------|------------------------------------------------------------|------------------------------------|----------------------------|----------------------|-------------------------|-----|--------------------|-----------------------------------------|----------------------------|------|
|                                       |                                              |                                                            |                                    | December 31,<br>2018       | December 31,<br>2017 | Number of<br>Shares     | %   | Carrying<br>Amount |                                         |                            |      |
| Hu Lane Associate Inc.                | Evervalue Investments Limited                | Offshore Chambers, P.O. Box 217,<br>Apia, Samoa            | Investment                         | \$ 555,033                 | \$ 555,033           | \$ 17,738               | 100 | \$ 2,231,887       | \$ 208,698                              | \$ 208,698                 |      |
|                                       | Telford Investments Limited                  | "                                                          | Investment                         | 38,490                     | 38,490               | 1,034                   | 100 | 167,407            | 10,170                                  | 10,170                     |      |
|                                       | Chiren Investment Limited                    | Taipei City                                                | Investment                         | 10,000                     | 10,000               | 1,000                   | 100 | 12,377             | 27                                      | 27                         |      |
|                                       | Hulane Electronics (Vietnam)<br>Limited      | Vietnam                                                    | Manufacturing                      | 182,033                    | 182,033              | 6,300                   | 100 | 181,178            | 3,754                                   | 3,754                      |      |
|                                       | PT Hulane Tech Manufacturing                 | Indonesia                                                  | Trading                            | 15,472                     | 15,472               | 800                     | 80  | 8,291              | (7,045)                                 | (5,636)                    |      |
| Evervalue Investments Limited         | Hulane Electronics (Shenzhen)<br>Limited     | Baoan District, Shenzhen City<br>Guangdong Province, China | Manufacturing                      | 48,837                     | 48,837               | 1,400                   | 100 | 75,466             | (7,682)                                 | (7,682)                    |      |
|                                       | Lihoo Electronics (Shenzhen)<br>Limited      | "                                                          | Manufacturing                      | 38,639                     | 38,639               | 880                     | 100 | 48,683             | (2,611)                                 | (2,611)                    |      |
|                                       | Hulane Electronics (Nanjing)<br>Limited      | Jiangning District, Nanjing City<br>China                  | Manufacturing                      | 275,946                    | 275,946              | 8,500                   | 100 | 1,282,201          | (17)                                    | (17)                       |      |
|                                       | Fortune Master Development<br>Limited        | Hong Kong                                                  | Investment                         | 277,993                    | 277,993              | 9,400                   | 100 | 777,309            | 219,883                                 | 219,883                    |      |
| Fortune Master Development<br>Limited | Dongguan Hulane Electronics<br>Technology    | Dalant Town, Dongguan City,<br>Guangdong Province, China   | Manufacturing                      | 236,287                    | 236,287              | 8,000                   | 100 | 656,897            | 185,214                                 | 185,214                    |      |
|                                       | Dongguan Hulane Puguang<br>Trading Co., Ltd. | "                                                          | Trading                            | 41,706                     | 41,706               | 1,400                   | 100 | 118,210            | 34,920                                  | 34,920                     |      |

TABLE 8

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

| Investee Company                          | Main Businesses and Products                                             | Paid-in Capital | Method of Investment | Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 | Remittance of Funds |        | Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 | Net Income (Loss) of the Investee | % Ownership of Direct or Indirect Investment | Investment Gain (Loss) | Carrying Amount as of December 31, 2018 | Accumulated Repatriation of Investment Income as of December 31, 2018 |
|-------------------------------------------|--------------------------------------------------------------------------|-----------------|----------------------|---------------------------------------------------------------------------------|---------------------|--------|-----------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------|------------------------|-----------------------------------------|-----------------------------------------------------------------------|
|                                           |                                                                          |                 |                      |                                                                                 | Outward             | Inward |                                                                                   |                                   |                                              |                        |                                         |                                                                       |
| Hulane Electronics (Shenzhen) Limited     | Manufacture and sales of terminals, bales of wire, connectors and molds. | US\$ 1,400      | Note                 | \$ 48,837                                                                       | \$ -                | \$ -   | \$ 48,837                                                                         | \$ (7,682)                        | 100                                          | \$ (7,682)             | \$ 75,466                               | \$ 30,059                                                             |
| Lihoo Electronics (Shenzhen) Limited      | Manufacture and sales of electronic connection wires.                    | US\$ 1,119      | Note                 | 38,639                                                                          | -                   | -      | 38,639                                                                            | (2,611)                           | 100                                          | (2,611)                | 48,683                                  | -                                                                     |
| Hulane Electronics (Nanjing) Limited      | Manufacture and sales of terminals, bales of wire, connectors and molds. | US\$ 8,500      | Note                 | 275,946                                                                         | -                   | -      | 275,946                                                                           | (17)                              | 100                                          | (17)                   | 1,282,201                               | -                                                                     |
| Dongguan Hulane Electronics Technology    | Manufacture and sales of terminals, bales of wire, connectors and molds. | US\$ 8,000      | Note                 | 236,287                                                                         | -                   | -      | 236,287                                                                           | 185,214                           | 100                                          | 185,214                | 656,897                                 | -                                                                     |
| Dongguan Hulane Puguang Trading Co., Ltd. | Sales of terminals, bales of wire, connectors and molds.                 | US\$ 1,400      | Note                 | 41,706                                                                          | -                   | -      | 41,706                                                                            | 34,920                            | 100                                          | 34,920                 | 118,210                                 | -                                                                     |

| Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 | Investment Amounts Authorized by the Investment Commission, MOEA | Upper Limit on the Amount of Investment Stipulated by the Investment Commission, MOEA |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| US\$20,419 thousand<br>(NT\$627,170 thousand)                                           | US\$20,419 thousand                                              | \$4,304,040 thousand × 60% = \$2,582,424 thousand                                     |

Note: Investment through companies incorporated in a third region.

**TABLE 9**

**HU LANE ASSOCIATE INC. AND SUBSIDIARIES**

**SIGNIFICANT TRANSACTIONS WITH INVESTEE COMPANIES IN MAINLAND CHINA, EITHER DIRECTLY OR INDIRECTLY THROUGH A THIRD PARTY, AND THEIR PRICES, PAYMENT TERMS, AND UNREALIZED GAINS OR LOSSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars)**

| Investee Company                          | Transaction Type | Amount       | Price                                              | Payment Terms                                      | Comparison with Normal Transaction                           | Ending Balance | %     | Unrealized (Gain) Loss |
|-------------------------------------------|------------------|--------------|----------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------|----------------|-------|------------------------|
| Hulane Electronics (Nanjing) Limited      | Sales            | \$ 1,120,885 | Not significantly different from general customers | Not significantly different from general customers | Not significantly different from general customers           | \$ 559,754     | 96    | \$ -                   |
|                                           | Purchase         | 78,380       | Not significantly different from general customers | Not significantly different from general customers | Not significantly different from general customers           | (17,882)       | (13)  | -                      |
| Dongguan Hulane Puguang Trading Co., Ltd. | Sales            | 3,267        | Not significantly different from general customers | 365 days                                           | Credit conditions adjusted based on China's trading practice | 219            | -     | -                      |
|                                           | Purchase         | 2,351,237    | Not significantly different from general customers | Not significantly different from general customers | Not significantly different from general customers           | (1,340,858)    | (100) | -                      |
| Dongguan Hulane Electronics Technology    | Sales            | 1,851,525    | Not significantly different from general customers | 270 days                                           | Credit conditions adjusted based on China's trading practice | 874,117        | 97    | -                      |
|                                           | Purchase         | 884,057      | Not significantly different from general customers | Not significantly different from general customers | Not significantly different from general customers           | (845,392)      | (87)  | -                      |