ITEQ Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
ITEQ Corporation

Opinion

We have audited the accompanying consolidated financial statements of ITEQ Corporation and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and 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. (collectively referred to as the "consolidated financial statements")

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 Allowance for Doubtful Accounts

The Group evaluates the allowance for doubtful accounts periodically by performing aging analysis on receivables, reviewing its customers' credit ratings, the economic environment and so on and have the accounts factored or insured when necessary to reduce its credit risk.

When assessing the allowance for doubtful accounts, there is a level of uncertainty regarding the recoverable amount, and management's judgment may influence the appropriateness of the allowance valuation. Therefore, we identified it as a key audit matter. Refer to Notes 5 and 8 to the accompanying consolidated financial statements for disclosures of the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for allowance for doubtful accounts were as follows:

1. We understood and tested the design and implementation of the internal control related to the assessment of accounts receivable, including the monthly analysis and review of the receivables' aging analysis and the loss on bad debts which were accounted for after the approval by management.

2. We assessed the estimates used by management for the calculation of the allowance for doubtful accounts at the end of the year, including the accuracy of the aging report used as the basis for the calculation of the allowance for doubtful accounts, the aging and quota ratio comparison between the current and previous accounts receivable, the occurrence of bad debts, the consideration of the impact of factoring and insurance among other estimates, cash receipts after the inspection period in order to confirm the possibility of recovering receivables.

3. For amounts that were overdue and not yet recovered, we verified the appropriateness of the allowance by confirming whether the allowance was based on the customer's payment history or current financial status and whether there was credit insurance or bank guarantees.

Assessment of Inventory

The inventory of the Group may experience price fluctuations or become obsolete because of the changes in market demand for finished goods and raw material cost fluctuations. Management assessed impairment losses on inventory based on its historical stock sales, and market conditions may also influence the valuation of impairment losses for inventory. Therefore, we identified inventory as a key audit matter. Refer to Notes 5 and 10 to the consolidated financial statements for disclosures of the relevant accounting estimates and uncertainties and other detailed information.

The audit procedures that we performed for inventory were as follows:

1. We understood and tested the design and implementation of the internal control related to inventory, including evaluating the impairment of the inventory and the condition of obsolete inventory which are accounted for after the approval by management.

2. We tested the completeness and existence of the year-end inventory valuation and assessed the condition of inventory to evaluate the adequacy of inventory impairment provisions for obsolete and damaged goods by attending and observing the year-end inventory count.

3. We sampled and recalculated the year-end inventory in detail in order to confirm the accuracy of the net realizable value by testing raw material costs or the latest sales value and compared the net realizable value and book value to assess the accuracy of the inventory impairment provisions.

4. We obtained and corroborated both the slow-moving inventory and the aging report of inventory in detail, analyzed the difference between the current and prior years, and ensured the accuracy of the impairment of obsolete inventory by recalculation.

Other Matter

We have also audited the parent company only financial statements of ITEQ Corporation 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, 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 audit committee and 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 Jui-Chan Huang and Po-Jen Weng.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 18, 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.

ITEQ CORPORATION AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 3,697,384	20	$ 3,356,997	19
Financial assets at fair value through profit or loss - current (Note 7)	40,771	-	-	-
Available-for-sale financial assets - current, net (Note 8)	-	-	504,533	3
Notes receivable (Note 9)	658,763	3	517,630	3
Accounts receivable, net (Note 9)	8,148,118	44	7,765,559	43
Other receivables (Notes 21 and 26)	309,906	2	695,019	4
Current tax assets (Note 22)	-	-	14	-
Inventories, net (Notes 10 and 21)	1,590,643	8	1,541,348	8
Offset against value-added tax payable	553,942	3	193,863	1
Other current assets	117,339	1	128,054	1
Total current assets	15,116,866	81	14,703,017	82
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - non-current (Note 7)	55,998	-	-	-
Financial assets at fair value through other comprehensive income - non-current (Note 11)	29,434	-	-	-
Available-for-sale financial assets - non-current, net (Note 8)	-	-	81,003	-
Financial assets measured at cost - non-current (Note 12)	-	-	36,010	-
Property, plant and equipment (Notes 13 and 21)	2,392,737	13	2,715,573	15
Intangible assets (Note 14)	9,055	-	8,773	-
Deferred tax assets (Note 22)	101,875	1	104,913	1
Prepayments for equipment	656,796	3	114,678	1
Other non-current assets (Notes 15, 18, 24 and 27)	332,543	2	275,775	1
Total non-current assets	3,578,438	19	3,336,725	18
TOTAL	$ 18,695,304	100	$ 18,039,742	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 3,258,454	17	$ 2,207,000	12
Short-term bills payable, net (Note 16)	389,827	2	499,765	3
Notes payable	570	-	1,426	-
Accounts payable	4,271,598	23	4,858,649	27
Other payables	734,141	4	523,078	3
Current tax liabilities (Note 22)	570,668	3	977,445	6
Provisions - current (Note 17)	17,417	-	29,368	-
Current portion of long-term borrowings (Note 16)	117,647	1	417,647	2
Other current liabilities	43,761	-	45,819	-
Total current liabilities	9,404,083	50	9,560,197	53
NON-CURRENT LIABILITIES				
Long-term borrowings, net of current portion (Note 16)	905,882	5	823,529	5
Deferred tax liabilities (Note 22)	367,708	2	352,460	2
Guarantee deposits received	25,659	-	17,722	-
Total non-current liabilities	1,299,249	7	1,193,711	7
Total liabilities	10,703,332	57	10,753,908	60
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 19)				
Share capital	3,029,572	16	3,029,572	17
Capital surplus	653,239	4	653,239	4
Retained earnings				
Legal reserve	1,194,845	6	1,070,375	6
Unappropriated earnings	3,319,996	18	2,439,520	13
Total retained earnings	4,514,841	24	3,509,895	19
Other items in equity	(205,680)	(1)	93,128	-
Total equity	7,991,972	43	7,285,834	40
TOTAL	$ 18,695,304	100	$ 18,039,742	100

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

ITEQ CORPORATION 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 (Notes 20 and 27)	$ 22,401,722	100	$ 21,214,333	100
COST OF GOODS SOLD (Notes 10 and 21)	19,146,160	85	18,114,656	86
GROSS PROFIT	3,255,562	15	3,099,677	14
OPERATING EXPENSES (Notes 21 and 27)				
Selling and marketing expenses	539,813	2	565,882	3
General and administrative expenses	599,010	3	560,983	2
Research and development expenses	332,349	2	220,371	1
Total operating expenses	1,471,172	7	1,347,236	6
PROFIT FROM OPERATIONS	1,784,390	8	1,752,441	8
NON-OPERATING INCOME				
Other income (Note 21)	125,565	1	115,433	1
Finance costs	(53,026)	-	(49,758)	-
Other gains (Notes 12, 13 and 21)	334,954	1	72,461	-
Total non-operating income and expenses	407,493	2	138,136	1
INCOME BEFORE INCOME TAX	2,191,883	10	1,890,577	9
INCOME TAX EXPENSE (Note 22)	(417,326)	(2)	(645,875)	(3)
NET INCOME FOR THE YEAR	1,774,557	8	1,244,702	6
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 18)	1,328	-	(776)	-
Unrealized gain on equity investments through other comprehensive income (Note 19)	377	-	-	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 22)	(75)	-	-	-
	1,630	-	(776)	-

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ITEQ CORPORATION 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 translation of financial statements of foreign operations (Note 19)	$ (163,097)	(1)	$ (262,169)	(1)
Unrealized gain on available-for-sale financial assets (Note 19)	-	-	107,550	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 22)	35,382	-	44,569	-
Items that may be reclassified subsequently to profit or loss, net of income tax	(127,715)	(1)	(110,050)	(1)
Other comprehensive loss for the year, net of income tax	(126,085)	(1)	(110,826)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 1,648,472	7	$ 1,133,876	5
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	$ 1,774,557	8	$ 1,244,702	6
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	$ 1,648,472	7	$ 1,133,876	5
EARNINGS PER SHARE (NEW TAIWAN DOLLARS; Note 23)				
Basic	$ 5.86		$ 4.11	
Diluted	$ 5.82		$ 4.08	

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

ITEQ CORPORATION AND SUBSIDIARIES

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

				Retained Earnings (Note 19)		Other Item Equity (Note 19)			
	Shares (Thousands)	Share Capital (Note 19)	Capital Surplus (Note 19)	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2017	302,957	$ 3,029,572	$ 653,239	$ 975,179	$ 2,048,183	$ 141,171	$ 62,007	$ -	$ 6,909,351
Appropriation of the 2016 earnings									
Legal reserve	-	-	-	95,196	(95,196)	-	-	-	-
Cash dividends	-	-	-	-	(757,393)	-	-	-	(757,393)
Balance after appropriation	302,957	3,029,572	653,239	1,070,375	1,195,594	141,171	62,007	-	6,151,958
Net consolidated income for the year ended December 31, 2017	-	-	-	-	1,244,702	-	-	-	1,244,702
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(776)	(217,600)	107,550	-	(110,826)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	1,243,926	(217,600)	107,550	-	1,133,876
BALANCE AT DECEMBER 31, 2017	302,957	3,029,572	653,239	1,070,375	2,439,520	(76,429)	169,557	-	7,285,834
Effect of retrospective application	-	-	-	-	168,228	-	(169,557)	(1,838)	(3,167)
BALANCE AT JANUARY 1, 2018 AS RESTATED	302,957	3,029,572	653,239	1,070,375	2,607,748	(76,429)	-	(1,838)	7,282,667
Appropriation of the 2017 earnings									
Legal reserve	-	-	-	124,470	(124,470)	-	-	-	-
Cash dividends	-	-	-	-	(939,167)	-	-	-	(939,167)
Balance at after appropriation	302,957	3,029,572	653,239	1,194,845	1,544,111	(76,429)	-	(1,838)	6,343,500
Net consolidated income for the year ended December 31, 2018	-	-	-	-	1,774,557	-	-	-	1,774,557
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,328	(127,715)	-	302	(126,085)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	1,775,885	(127,715)	-	302	1,648,472
BALANCE AT DECEMBER 31, 2018	302,957	$ 3,029,572	$ 653,239	$ 1,194,845	$ 3,319,996	$ (204,144)	$ -	$ (1,536)	$ 7,991,972

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

ITEQ CORPORATION 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	$ 2,191,883	$ 1,890,577
Adjustments for:		
Depreciation expense	527,152	518,785
Amortization expense	-	14,711
(Reversal) bad debt expense	(13,774)	16,517
Finance costs	53,026	49,758
Interest income	(16,532)	(9,972)
Dividend income	(5,745)	(29,734)
Loss on disposal of property, plant and equipment	5,334	26,729
Net gain on financial assets at fair value through profit or loss	(277,372)	-
Net gain on disposal of available-for-sale financial assets	-	(58,854)
Impairment loss recognized on financial assets at cost	-	3,498
Reversal of impairment loss recognized on property, plant and equipment	-	(33,694)
Reversal of write-down of inventories	(5,411)	(15,340)
(Gain) loss on foreign currency exchange	(6,890)	462
Amortization of prepayments for leases	2,291	1,324
Amortization of prepayments	15,808	24,999
Reversal of provisions	(11,673)	(9,747)
Loss on fire	77,558	-
Proceeds from insurance claim	(157,072)	-
Changes in operating assets and liabilities		
Notes receivable	(126,302)	(24,173)
Accounts receivable	(112,292)	(1,350,764)
Other receivables	559,723	105,742
Inventories	(17,064)	(370,521)
Offset against value-added tax payable	(347,277)	218,221
Other current assets	14,407	48,492
Notes payable	(856)	(856)
Accounts payable	(723,851)	714,471
Other payables	161,747	(215,129)
Other current liabilities	(3,248)	(32,443)
Cash generated from operations	1,783,570	1,483,059
Interest paid	(48,838)	(49,012)
Income tax paid	(779,218)	(444,319)
Net cash generated from operating activities	955,514	989,728
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through profit or loss	(458,005)	-
Proceeds from sale of available-for-sale financial assets	-	152,912
Proceeds from sale of financial assets at fair value through profit or loss	1,219,479	-
Acquisition of property, plant and equipment	(208,588)	(195,144)

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ITEQ CORPORATION AND SUBSIDIARIES

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

	2018	2017
Proceeds from disposal of property, plant and equipment	$ -	$ 2,465
Increase in refundable deposits	(1,725)	(913)
Decrease in refundable deposits	7,998	5,154
Increase in other non-current assets	(81,350)	(37,662)
Increase in prepayments for equipment	(582,786)	(109,360)
Interest received	16,532	9,972
Dividends received	5,745	29,734
Net cash used in investing activities	(82,700)	(142,842)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	1,055,759	(423,000)
Increase in short-term bills payable	(109,938)	(368,994)
Proceeds from long-term borrowings	700,000	700,000
Repayments of long-term borrowings	(917,647)	(474,824)
Increase in guarantee deposits received	13,183	7,429
Decrease in guarantee deposits received	(4,840)	(4,152)
Cash dividends paid	(939,167)	(757,393)
Net cash used in financing activities	(202,650)	(1,320,934)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(329,777)	181,705
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	340,387	(292,343)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	3,356,997	3,649,340
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,697,384	$ 3,356,997

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

1. GENERAL INFORMATION

ITEQ Corporation (the "Company") was incorporated on April 10, 1997. It manufactures and sells mass lamination boards, copper clad laminates, prepeg products and electronic components. The Company's shares have been listed on the Taiwan Stock Exchange (TWSE) since January 21, 2008.

The consolidated financial statements of the Company and its subsidiaries (collectively, referred to as the "Group") are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 14, 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 FSC

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

1) IFRS 9 "Financial Instruments" and related amendments

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

<u>Classification, measurement and impairment of financial assets</u>

On the basis of the facts and circumstances that 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.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

	Measurement Category		Carrying Amount	
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Equity securities	Available-for-sale	Mandatorily at FVTPL	$ 585,536	$ 585,536
	At cost	Mandatorily at FVTPL	4,655	3,326
Other equity investments	At cost	Fair value through other comprehensive income (FVTOCI)	31,355	29,057

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassifi-cations**	**Remea-surements**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**
FVTPL	$ -					
Add: Reclassification from available-for-sale (IAS 39)						
Required reclassification		$ 585,536	$			
Add: Reclassification from at cost (IAS 39)						
Required reclassification		4,655	(1,329)			
		590,191	(1,329)	$ 588,862	$ 168,228	$ (169,557)
FVTOCI						
Add: Reclassification from at cost (IAS 39)		31,355	(2,298)			
	-	31,355	(2,298)	29,057	-	(1,838)
	$	$ 621,546	$ (3,627)	$ 617,919	$ 168,228	$ (171,395)

The Group elected to designate equity investment previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9., As a result, the related other equity - unrealized gain (loss) on available-for-sale financial assets of $169,557 thousand was reclassified to retained earnings.

Investments in equity previously measured at cost under IAS 39 have been classified at FVTPL and designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $588,862 thousand at FVTPL, an increase of $29,057 thousand at FVTOCI, an increase of $460 thousand in deferred tax assets, an increase of $168,228 in retained earnings and a decrease of $1,838 thousand in unrealized gain (loss) on financial assets at FVTOCI were recognized on January 1, 2018.

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

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

b. 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 by the FSC for application starting from 2019

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

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

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

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

- IFRS 16 "Leases"

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

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 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 effective interest rate. 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. Prepaid lease payments for land use rights of land are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

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

Leasehold building, which is currently accounted for as an operating lease under IAS 17, qualifies as an investment property. A lease liability for that leasehold building will be recognized and measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Related right-of-use assets will be measured at fair value and presented as investment properties.

The Group expects to apply the following practical expedients:

a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 2,590	$ (2,590)	$ -
Prepayments for leases - non-current	96,757	(96,757)	-
Refundable deposits	143,727	(2,708)	141,019
Right-of-use assets	-	538,063	538,063
Total effect on assets	$ 243,074	$ 436,008	$ 679,082
Lease liabilities	$ -	$ 436,008	$ 436,008
Total effect on liabilities	$ -	$ 436,008	$ 436,008

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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.

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 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 twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve 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

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

1) Principles for preparing 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, including special purpose entities). 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.

2) Subsidiaries included in consolidated financial statements

			% of Ownership	
			December 31	
Investor	**Investee**	**Main Business**	**2018**	**2017**
ITEQ Corporation	ITEQ International Ltd.	Investment	100	100
	Bon Mou Investment Co.	Investment	100	100
ITEQ International Ltd.	ITEQ Holding Ltd.	Investment	100	100
ITEQ Holding Ltd.	ESIC	Investment in PRC	100	100
	IPL	Import and export business	100	100
	IIL	Import and export business	100	100
	Eagle Great	Investment in PRC	100	100
	Shining Era	Investment	100	100
	ITEQ (HK)	Investment in PRC	100	100
	Mega Crown	Investment	100	100
ESIC	ITEQ (DG)	Produces and sells prepeg products and copper clad laminates	100	100
	ITEQ (XT) (Note 1)	Produces and sells prepeg products and copper clad laminates	100	-

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2018	% of Ownership December 31 2017
ITEQ (HK)	ITEQ (WX)	Produces and sells prepeg products and copper clad laminates	100	100
	ITEQ (GZ)	Produces and sells prepeg products and copper clad laminates	100	100
	ITEQ (XT) (Note 2)	Produces and sells prepeg products copper clad laminates	100	100
Eagle Great	ITEQ (HJ)	Produces and sells the mass lamination process	100	100

(Concluded)

Note 1: The Group holds a comprehensive shareholding, with 50% held by ESIC, 25% held by ITEQ (DG), and 25% held by ITEQ (WX).

Note 2: ITEQ (XT) completed the dissolution and liquidation in November 2018.

e. 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. Such exchange differences are recognized in profit or loss in the year in which they arise. Non-monetary items measured at fair value are translated using the prevailing exchange rates at the exchange day. Translation differences on non-monetary items measured at fair value are recognized in profit or loss of the current year. However, the translation differences are also recognized directly in the comprehensive income if the change in fair value is recognized in other comprehensive income.

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

For the purpose of preparing the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income.

f. 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 weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

Depreciation is recognized using the straight-line method with their estimated useful lives. Each significant part is depreciated separately. If the lease term is shorter than its estimated useful life, an item of property, plant and equipment is depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at least once at the end of each year, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized on goodwill is not reversed in subsequent periods.

i. Intangible assets

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 life, residual value, and amortization method are reviewed at least once at the end of each year. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life. The effect of any changes in estimates is accounted for on a prospective basis.

j. Impairment of tangible and intangible assets other than goodwill

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 an 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.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an individual asset or cash-generating unit is lower than its carrying amount, the carrying amount shall be adjusted to its recoverable amount and the impairment loss shall be recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit 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 on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group 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 issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) 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 FVTPL are recognized immediately in profit or loss.

1) Financial assets

a) Measurement category

<u>2018</u>

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 26.

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

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

2017

The Group's financial assets are classified into the following categories: Available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity financial assets or financial assets at FVTPL.

Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are presented in a separate line item as financial assets measured at cost. Such financial assets are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and the fair value is recognized in other comprehensive income or in profit or loss if impairment arises

ii. Loans and receivables

Loans and receivables (including cash and cash equivalent, notes receivable, accounts receivable, other financial assets and debt investments with no active market) are measured at amortized cost using the effective interest method, less any impairment, except for those short-term receivables with immaterial discounted effect.

Cash equivalent includes time deposits and bank acceptances with original maturities within three 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.

b) Impairment of financial assets

2018

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

The Group always recognizes lifetime expected credit losses (ECLs) for accounts receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of 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 FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as accounts receivable, 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 30 days, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets 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 financial assets at the date on which the impairment loss is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When accounts receivable and other receivables are 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 accounts receivable 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 entity.

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

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. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the 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.

l. Provisions

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the estimated cash flows to settle the present obligation.

m. Revenue recognition

<u>2018</u>

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.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

- Revenue from the sale of goods

  Revenue from the sale of goods comes from sales of prepeg products and copper clad laminates. Sales of prepeg products and copper clad laminates are recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

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

<u>2017</u>

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. Sales returns are recognized at the time of sale provided that the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

   Revenue from the sale of goods is recognized when the goods are delivered and titles have been passed, at which time 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 the applicable effective interest rate.

n. 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.

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

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related cost for which the grants are intended to compensate.

p. Employee benefits

Short-term employee benefits

Short-term employee benefits related liabilities are measured by using non-discounted expected disbursement as for services are rendered.

Post-employment 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 the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period 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 they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Company'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.

q. 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 of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the 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 in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the 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 liability is settled or the asset 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 taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations 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.

Write-down of Inventories

Since inventories are denominated in terms of cost and net realizable value, the Group uses judgment and estimates to determine the net realizable value of inventories at the end of the reporting period.

The Group assesses the amount of inventory lost due to normal wear and tear, obsolescence or no market sales value at the end of the reporting period, and reduces the inventory cost to the net realizable value. This inventory assessment is based primarily on the estimated product demand for a specific period of time in the future and may result in significant changes.

6. CASH AND EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 496	$ 459
Cash in banks	2,405,993	2,222,032
Cash equivalents		
Time deposits	340,115	273,270
Bank acceptances	950,780	861,236
	$ 3,697,384	$ 3,356,997

The market rate intervals of cash in banks at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Cash in banks	0.00%-0.70%	0.00%-0.70%
Time deposits	0.60%-3.10%	1.35%-1.46%

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Financial assets designated as at FVTPL		
Securities listed in ROC		
Equity securities	$ 40,771	$ -
Financial assets at FVTPL - non-current		
Financial assets designated as at FVTPL		
Securities listed in ROC		
Equity securities	$ 55,998	$ -

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET - 2017

	December 31, 2017
Domestic publicly traded shares	$ 585,536
Less: Current portion	504,533
	$ 81,003

9. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2018	2017
Notes receivable		
At amortized cost	$ 658,763	$ 517,630
Accounts receivables		
At amortized cost		
Gross carrying amount	$ 8,224,776	$ 7,859,262
Less: Allowance for impairment loss	76,658	93,703
Accounts receivables, net	$ 8,148,118	$ 7,765,559

The average credit period on sales of goods is 120 days. The Group also has administrative measures to strengthen sales, finance and legal collection procedures for overdue receivables. The Group evaluates the credit quality, determines the credit limit of potential customers according to an internal rating system, reviews the credit status of customers in order to adjust their credit limits every half year, and assigns a team responsible for the determination and approval of credit limits. The team continually reviews the financial condition of accounts receivable factoring and insurance, if necessary, in order to reduce the Group's credit risk.

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, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a accounts 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, or when the trade receivables are over 90 days past due, whichever occurs earlier]. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2018

	Not Past Due	Less than 30 Days	31 to 90 Days	Over 90 Days	Total
Expected credit loss rate	0.40%	1.37%	17.07%	100.00%	
Gross carrying amount	$ 8,057,499	$ 116,240	$ 9,967	$ 41,070	$ 8,224,776
Loss allowance (lifetime ECL)	(32,291)	(1,595)	(1,702)	(41,070)	(76,658)
Amortized cost	$ 8,025,208	$ 114,645	$ 8,265	$ -	$ 8,148,118

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

	2018
Balance at January 1, 2018 per IAS 39	$ 93,703
Adjustment on initial application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	93,703
Net remeasurement of loss allowance	(13,774)
Amounts written off	(1,999)
Foreign exchange gains and losses	(1,272)
Balance at December 31, 2018	$ 76,658

2017

The credit policy of the Group in 2017 is the same as the credit policy in 2018. In determining the recoverability of accounts receivable, the Group considers any changes in the credit quality of an account receivable from the date that a credit was initially granted to the end of the reporting period. The Group evaluates the allowance for doubtful accounts periodically by performing accounts receivable aging analysis and by reviewing customer credit ratings, the economic environment and so on.

For accounts 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 not a significant change in the credit quality, and the amounts were still considered recoverable. The Group neither held any collateral or other credit enhancements for these balances nor had the legal right to offset accounts receivable with the same counterparty.

The aging of receivables was as follows:

	December 31, 2017
Not past due	$ 7,603,468
1-30 days	163,454
31-90 days	31,126
Over 90 days	61,214
	$ 7,859,262

The above aging schedule was based on the past due date.

The aging of receivables that were past due but not impaired were as follows:

	December 31, 2017
1-30 days	$ 149,454
31-90 days	21,200
	$ 170,654

The above aging schedule was based on the past due date.

The movements of the allowance for doubtful accounts were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 26,055	$ 54,771	$ 80,826
Allowance (reversal of allowance) for doubtful accounts	12,940	3,577	16,517
Amounts written off during the years as uncollectible	(73)	(2,161)	(2,234)
Effect on foreign currency exchange differences	(389)	(1,017)	(1,406)
Balance at December 31, 2017	$ 38,533	$ 55,170	$ 93,703

The Group recognized impairment losses of $104,298 thousand on accounts receivable as of December 31, 2017, respectively. The Group did not hold any collaterals for these balances. To reduce credit risk, the Group had insured and factored its accounts receivable.

For information of factored accounts receivables, refer to Note 26.

10. INVENTORIES, NET

	December 31	
	2018	2017
Finished goods	$ 548,260	$ 561,531
Work in process	124,639	148,048
Raw materials	897,507	801,962
Goods in transit	20,237	29,807
	$ 1,590,643	$ 1,541,348

As of December 31, 2018 and 2017, the cost of inventories recognized as cost of goods sold were $19,146,160 thousand and $18,114,656 thousand, respectively. Gain on reversal of write-downs were $5,411 thousand and $15,340 thousand, respectively.

The Group's plant had a fire on June 8, 2018, and the loss on inventory was estimated to be $12,461 thousand, which was recognized in other gains or losses, refer to Note 21-2.

11. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT - 2018

	December 31, 2018
Non-current	
Foreign investments	
TIEF FUND, L.PL	$ 29,434

Foreign investments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 12 for information relating to their reclassification and comparative information for 2017.

12. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT - 2017

	December 31, 2017	
	Amount	**%**
Non-publicly traded shares		
Mortech Corporation	$ 159	1.7
Big Sun Energy Technology Incorporation	4,496	0.5
Ding Mou Corporation	-	0.4
Commerciale Internazionale Elettronica S.R.L.	-	18.0
Others		
TIEF Fund, L.P.	31,355	4.8
	$ 36,010	
Classified according to financial asset measurement categories		
Available-for-sale financial assets	$ 36,010	

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

For the year ended December 31, 2017, the Group recognized an impairment loss which amounted to $3,498 thousand (part of other gains and losses) from the investment in Ding Mou Corporation and Commerciale Internazionale Elettronica S.R.L. for its operation deficits.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Transport Equipment	Facilities	Other Equipment	Leased Improvements	Total
Cost							
Balance at January 1, 2018	$ 989,772	$ 4,832,628	$ 61,411	$ 565,435	$ 1,099,653	$ 348,805	$ 7,897,704
Additions	19,858	140,178	-	13,183	35,369	-	208,588
Disposals	(23,987)	(340,094)	(6,781)	(16,823)	(122,769)	-	(510,454)
Loss on fire	(17,396)	(72,593)	-	(7,249)	(8,522)	-	(105,760)
Reclassified	3,829	20,701	-	2,389	29,152	4,694	60,765
Effect of foreign currency exchange differences	(16,883)	(63,657)	(743)	(9,503)	(6,997)	-	(97,783)
Balance at December 31, 2018	$ 955,193	$ 4,517,163	$ 53,887	$ 547,432	$ 1,025,886	$ 353,499	$ 7,453,060
Accumulated depreciation and impairment							
Balance at January 1, 2018	$ (467,559)	$ (3,532,114)	$ (51,428)	$ (399,756)	$ (582,266)	$ (149,008)	$ (5,182,131)
Depreciation expense	(43,611)	(293,381)	(2,979)	(38,705)	(106,832)	(41,644)	(527,152)
Disposals	23,784	395,552	6,149	17,337	62,298	-	505,120
Loss on fire	7,521	57,104	-	3,552	5,646	-	73,823
Effect of foreign currency exchange differences	8,354	49,615	659	7,121	4,268	-	70,017
Balance at December 31, 2018	$ (471,511)	$ (3,323,224)	$ (47,599)	$ (410,451)	$ (616,886)	$ (190,652)	$ (5,060,323)
Net value	$ 483,682	$ 1,193,939	$ 6,288	$ 136,981	$ 409,000	$ 162,847	$ 2,392,737

(Continued)

	Buildings	Equipment	Transport Equipment	Facilities	Other Equipment	Leased Improvements	Total
Cost							
Balance at January 1, 2017	$ 1,029,129	$ 4,808,331	$ 66,442	$ 583,070	$ 987,245	$ 334,062	$ 7,808,279
Additions	135,357	37,084	-	514	22,189	-	195,144
Disposals	(153,599)	(21,273)	(3,881)	(2,516)	(13,099)	-	(194,368)
Reclassified	-	88,828	-	1,869	110,863	14,743	216,303
Effect of foreign currency exchange differences	(21,115)	(80,342)	(1,150)	(17,502)	(7,545)	-	(127,654)
Balance at December 31, 2017	$ 989,772	$ 4,832,628	$ 61,411	$ 565,435	$ 1,099,653	$ 348,805	$ 7,897,704
Accumulated depreciation and impairment							
Balance at January 1, 2017	$ (561,808)	$ (3,353,472)	$ (52,808)	$ (369,809)	$ (500,989)	$ (108,658)	$ (4,947,544)
Depreciation expense	(48,524)	(289,721)	(3,037)	(39,598)	(97,555)	(40,350)	(518,785)
Disposals	130,460	18,978	3,474	2,211	10,051	-	165,174
Reversal of impairment losses	-	32,529	-	426	739	-	33,694
Effect of foreign currency exchange differences	12,313	59,572	943	7,014	5,488	-	85,330
Balance at December 31, 2017	$ (467,559)	$ (3,532,114)	$ (51,428)	$ (399,756)	$ (582,266)	$ (149,008)	$ (5,182,131)
Net value	$ 522,213	$ 1,300,514	$ 9,983	$ 165,679	$ 517,387	$ 199,797	$ 2,715,573

(Concluded)

The Group's plant had a fire on June 8, 2018, and the loss on property, plant and equipment was estimated to be $31,937 thousand, which was recognized in other gains and losses, refer to Note 21-2.

For the year ended December 31, 2017, the Group expected an increase in the estimated future cash inflows from the ITEQ (HJ). However, the Group carried out a review on the recoverable amount and determined that the recoverable amount exceeded the carrying amount. The review led to the reversal of an impairment loss of $33,694 thousand, which was recognized in other gains and losses.

Depreciation costs of the property, plant and equipment are calculated on a straight-line basis over their estimated useful lives as shown in the following:

Buildings	
Main buildings	15-20 years
Engineering systems	3-8 years
Equipment	
Electromechanical power equipment	5-12 years
Renovation	2-5 years
Transportation equipment	5-10 years
Facilities	
Computers	3-10 years
Office furniture	3-5 years
Other equipment	
Research and development equipment	3-12 years
Pollution prevention equipment	3-12 years
Miscellaneous equipment	1-12 years
Leased improvements	3-9 years

14. INTANGIBLE ASSETS

	December 31	
	2018	2017
Goodwill	$ 9,055	$ 8,773
Royalties on patents (original cost was $94,158 thousand)	-	-
	$ 9,055	$ 8,773

Goodwill refers to the excess of the purchase price over the fair market value of the proportionate share in the net identifiable assets of ESIC.

Changes in accumulated amortization of royalties on patents are as follows:

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ -	$ 14,711
Less: Amortization expense	-	(14,711)
Balance at December 31	$ -	$ -

The above items of other intangible assets are amortized on a straight-line basis over 8 years.

In February 2010, the Company signed a contract to obtain patents from a third-party company. According to the contract, the Company pays a fixed amount of royalties in three annual installments and pays additional quarterly royalties based on the sales of the commodities using the patents. The annual royalties paid should not be lower than a certain amount in the duration of the patent.

15. OTHER NON-CURRENT ASSETS

	December 31	
	2018	2017
Refundable deposits (Note 27)	$ 143,727	$ 150,522
Long-term prepayments	19,799	25,360
Materials and supplies	53,076	50,051
Long-term prepayments of land use rights	96,757	32,754
Net defined benefit assets (Note 18)	19,184	17,088
	$ 332,543	$ 275,775

ITEQ (DG) acquired the land use rights of 17,919.5 square meters in Dongguan in 2002 and the rights are amortized over 30 years under the permitted operating period.

ITEQ (WX) acquired the land use rights of 76,002 square meters and 15,432 square meters in Wuxi for 50 years in 2004 and 2005, respectively, and the rights are amortized 50 years under the permitted operating period.

ITEQ (GZ) acquired the land use rights of 18,508 square meters in Guangzhou for 50 years in 2009 and the rights are amortized over 50 years under the permitted operating period.

ITEQ (JX) acquired the land use rights of 163,680 square meters in Jiangxi in 2018 and the rights are amortized 50 years under the permitted operating period.

16. BORROWINGS

a. Short-term borrowings

The weighted average effective interest rates on bank loans were 0.93%-3.45% and 0.92%-1.10% as of December 31, 2018 and 2017, respectively.

b. Short-term bills payable

Outstanding short-term bills payable were as follows:

	December 31	
	2018	**2017**
Commercial paper	$ 390,000	$ 500,000
Less: Unamortized discounts on bills payable	173	235
	$ 389,827	$ 499,765
Interest rate	1.04%-1.05%	1.03%-1.05%

c. Long-term borrowings

	December 31	
	2018	**2017**
Credit loans	$ 1,023,529	$ 1,241,176
Less: Current portion	117,647	417,647
	$ 905,882	$ 823,529
Interest rate	0.90%-1.04%	0.90%-1.14%

On June 29, 2018, the Company obtained a $500,000 thousand bank loan under a two-year revolving agreement with the KGI Commercial Bank. As of December 31, 2018, the Company had already accessed the loan fund of $500,000 thousand.

On July 6, 2018, the Company obtained a $200,000 thousand bank loan under a two-year revolving agreement with SinoPac Bank. As of December 31, 2018, the Company had already accessed the loan fund of $200,000 thousand. The bank loan agreement stipulated that:

1) The ratio of current assets to current liabilities shall not be lower than 100%.

2) The ratio of liabilities to net tangible assets shall not be higher than 175%.

3) Interest coverage shall not be lower than 400%.

4) The net value of tangible assets shall not be lower than $5,000,000 thousand.

On August 27, 2014, the Company obtained a $500,000 thousand bank loan under a seven-year revolving agreement with O-Bank. As of December 31, 2018, the Company had fully accessed the loan fund and the repaid loan fund of $176,471 thousand. The bank loan agreement stipulated that:

1) The ratio of current assets to current liabilities shall not be lower than 100%.

2) The ratio of liabilities to net tangible assets shall not be higher than 200%.

3) Interest coverage shall not be lower than 400%.

4) The net value of tangible assets shall not be lower than $5,000,000 thousand.

17. PROVISIONS - CURRENT

	December 31	
	2018	2017
Returns and allowances	$ 17,417	$ 29,368

Changes in returns and allowances provisions were as follows:

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ 29,368	$ 40,010
Reversal	(11,673)	(9,747)
Effect on foreign currency exchange differences	(278)	(895)
Balance at December 31	$ 17,417	$ 29,368

The provision for customer returns and rebates was based on historical experience, management's judgments and other known reasons for occurrence of product returns and rebates in the year. The provision was recognized as a reduction of operating income in the periods the related goods were sold.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company adopted a pension plan under the Labor Pension Act (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.

For the years ended December 31, 2018 and 2017, the Company recognized pension costs of $12,517 thousand and $12,540 thousand, respectively.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% 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 Company 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 Company 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") and the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2018	**2017**
Present value of defined benefit obligation	$ 24,910	$ 24,729
Fair value of plan assets	(44,094)	(41,817)
Net defined benefit assets (part of other non-current assets)	$ (19,184)	$ (17,088)

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Asset**
Balance at January 1, 2017	$ 25,320	$ (40,774)	$ (15,454)
Prior service cost	(1,529)	-	(1,529)
Net interest expense (income)	379	(617)	(238)
Recognized in profit or loss	(1,150)	(617)	(1,767)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	217	217
Actuarial gain - changes in financial assumptions	1,539	-	1,539
Actuarial gain - changes in demographic assumptions	189	-	189
Actuarial loss - experience adjustments	(1,169)	-	(1,169)
Recognized in other comprehensive income	559	217	776
Contributions from the employer	-	(643)	(643)
Balance at December 31, 2017	24,729	(41,817)	(17,088)
Net interest expense (income)	246	(421)	(175)
Recognized in profit or loss	246	(421)	(175)

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ (1,263)	$ (1,263)
Actuarial gain - changes in demographic assumptions	606	-	606
Actuarial loss - experience adjustments	(671)	-	(671)
Recognized in other comprehensive income	(65)	(1,263)	(1,328)
Contributions from the employer	-	(593)	(593)
Balance at December 31, 2018	$ 24,910	$ (44,094)	$ (19,184)

(Concluded)

The amounts of defined benefit plans recognized in profit or loss by function were as follows:

	For the Year Ended December 31	
	2018	2017
Administration profits	$ (175)	$ (1,767)

Through the defined benefit plans under the Labor Standards Law, the Company 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 of Labor Funds, Ministry of Labor 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 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 principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2018	2017
Discount rate	1.00%	1.00%
Expected rates of future salary increase	2.00%	2.00%

If possible reasonable changes 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:

	December 31, 2018
Discount rate(s)	
0.25% increase	$ (708)
0.25% decrease	$ 738
Expected rate(s) of salary increase	
0.25% increase	$ 729
0.25% decrease	$ (703)

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.

As of December 31, 2018 and 2017, the expected contributions to the plan for the next year were $742 thousand and $786 thousand, respectively. The average duration of the defined benefit obligation was 11 years and 12 years.

19. EQUITY

a. Share capital

	December 31	
	2018	2017
Authorized shares (in thousands)	400,000	400,000
Authorized capital	$ 4,000,000	$ 4,000,000
Issued and paid shares (in thousands)	302,957	302,957
Issued capital	$ 3,029,572	$ 3,029,572

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Shares premium from issuance	$ 653,239	$ 653,239

The capital surplus arising from shares issued in excess of par value (including share premium from issuance of ordinary shares), 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 dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made 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 distribution of dividends and bonus to shareholders. For information on the accrual basis of the employees' compensation and remuneration of directors and supervisors and the actual appropriations, refer to Note 21-4 employee benefits expense.

The Company is currently in its growth stage; thus, the policy for distribution of dividends should reflect factors such as the current and future investment environment, fund requirements, domestic competition and capital budget, as well as benefits to be given out, balance in the distribution of shares and cash bonuses, and long-term financial planning. The Company's Articles of Incorporation stipulate that at least 20% of dividends to shareholders shall be distributed in cash.

Appropriation of earnings to legal reserve shall be made until the reserve equals the Company's paid-in capital. 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.

The appropriations from the earnings of 2017 and 2016 were approved in the shareholders' meetings on June 15, 2018 and June 15, 2017, respectively. The appropriations were as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	2017	**2016**	**2017**	**2016**
Legal reserve	$ 124,470	$ 95,196		
Cash dividends	939,167	757,393	$ 3.1	$ 2.5

The appropriation of the 2018 earnings will be proposed by the Company's board of directors on March 14, 2019. The appropriations, including dividends per share, are as follows:

	Appropriation of Earnings	**Dividends Per Share (NT$)**
Legal reserve	$ 177,455	
Special reserve	205,680	
Cash dividends	1,151,237	$ 3.8

The appropriation of earnings for 2018 are subject to the resolution in the shareholders' meeting to be held on June 13, 2019.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Other items of equity

1) Exchange differences on translation of financial statements of foreign operations

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (76,429)	$ 141,171
Effect of change in tax rate	2,763	-
Recognized for the year		
Exchange differences on translating the financial statements of foreign operations	(130,478)	(217,600)
Other comprehensive income recognized for the year	(127,715)	(217,600)
Balance at December 31	$ (204,144)	$ (76,429)

2) Unrealized gain on available-for-sale financial assets

	For the Year Ended December 31 2017
Balance at January 1, 2017	$ 62,007
Recognized for the year	
Unrealized gain on revaluation of available-for-sale financial assets	163,586
Reclassification adjustment	
Disposal of available-for-sale financial assets	(56,036)
Balance at December 31, 2017	$ 169,557
Balance at December 31, 2017	$ 169,557
Adjustment on initial application of IFRS 9	(169,557)
Balance at January 1, 2018per IFRS 9	$ -

3) Unrealized gain/(loss) on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	(1,838)
Balance at January 1 per IFRS 9	(1,838)
Recognized for the year	
Unrealized gain/(loss) - equity instruments	302
Other comprehensive income recognized for the year	302
Balance at December 31	$ (1,536)

20. REVENUE

The following is an analysis of the Group's revenue from its major products:

	For the Year Ended December 31	
	2018	2017
Copper clad laminate	$ 15,810,335	$ 15,120,373
Prepeg	5,749,964	5,314,139
Others	841,423	779,821
	$ 22,401,722	$ 21,214,333

The balance of the contract liabilities of the Group from the sale of goods on December 31, 2018 was $4,409 thousand. The change in contract liabilities is mainly due to the difference between the point of meeting the performance obligation and the time of payment by the customer.

21. NET INCOME (LOSS)

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 16,532	$ 9,972
Dividends	5,745	29,734
Government grant	6,428	16,923
Other income	96,860	58,804
	$ 125,565	$ 115,433

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange losses	$ 11,050	$ (17,145)
Reversal of impairment losses on property, plant and equipment	-	33,694
Financial assets at FVTPL	277,372	-
Gain on disposal of available-for-sale financial assets	-	58,854
(Loss) gain on disposal of property, plant and equipment	(5,334)	(26,729)
Impairment loss recognized on financial assets at cost	-	(3,498)
Loss on fire	(77,558)	-
Settlement of insurance claim	157,072	-
Other gain (loss)	(27,648)	27,285
	$ 334,954	$ 72,461

The plant of ITEQ (WX) had a fire on June 8, 2018, causing damage to some parts of the plant, equipment and inventory. The estimated amount of damages including claims was $77,558 thousand (including inventory of $12,641 thousand, property, plant and equipment of $31,937 thousand and other losses of $32,980 thousand, which were recognized on other gains and losses. Because ITEQ (WX) had full property insurance and business interruption insurance, the Group recognized an insurance claim proceed of $157,072 thousand in 2018 in accordance with an insurance company's claims agreement. As of December 31, 2018, insurance claims were recognized in other receivables.

The original site of ITEQ (HJ) was located in Sanxie Industrial Zone in Huangjiang. In order to comply with the local government's reform policy, the Group agreed to relocate its original plant to the new site in Huangjiang and completed the relocation in 2017. In accordance with the terms of the relocation compensation agreement, the Group recognized a gain of $61,496 thousand in 2017 and estimated a loss of $45,808 thousand due to the relocation of the aforementioned factory, which was recognized in other gains and losses.

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 527,152	$ 518,785
Prepayments	15,808	24,999
Lease prepayment	2,291	1,324
Intangible assets	-	14,711
	$ 545,251	$ 559,819
An analysis of depreciation by function		
Operating costs	$ 466,848	$ 455,737
Operating expenses	60,304	63,048
	$ 527,152	$ 518,785
An analysis of amortization by function		
Operating costs	$ 11,160	$ 21,693
Selling and marketing expenses	20	14,726
General and administrative expenses	5,034	4,035
Research and development expenses	1,885	580
	$ 18,099	$ 41,034

d. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 1,414,414	$ 1,281,711
Post-employment benefits (Note 18)		
Defined contribution plans	12,518	12,540
Defined benefit plans	(175)	(1,767)
	$ 1,426,756	$ 1,292,484

	For the Year Ended December 31					
	2018			2017		
	Classified as Operating Cost	Classified as Operating Expense	Total	Classified as Operating Cost	Classified as Operating Expense	Total
Analysis by function						
Salaries and bonuses	$ 751,580	$ 466,847	$ 1,218,427	$ 740,742	$ 397,619	$ 1,138,361
Employees' insurance	16,325	12,118	28,443	14,892	12,427	27,319
Pension cost	6,624	5,718	12,342	6,247	4,526	10,773
Others	137,508	30,036	167,544	89,034	26,997	116,031
	$ 912,037	$ 514,719	$ 1,426,756	$ 850,915	$ 441,569	$ 1,292,484

As of December 31, 2018 and 2017, the Group's number of employees were 2,979 and 2,929, respectively.

Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration of directors and supervisors at the rates no less than 2% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors in cash for the years ended December 31, 2018 and 2017 have been approved by the Company's board of directors on March 14, 2019 and March 14, 2018, respectively.

	For the Year Ended December 31	
	2018	**2017**
Employees' compensation - ratio	4.28%	4.00%
Remuneration of directors and supervisors - ratio	1.50%	2.00%
Employees' compensation - cash	$ 82,103	$ 60,788
Remuneration of directors and supervisors - cash	28,786	30,394

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate and will be reflected in the following year.

There was no difference between the amounts of the bonus to employees and the remuneration of directors and supervisors approved in the shareholders' meetings and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Gains (losses) on foreign currency exchange

	For the Year Ended December 31	
	2018	**2017**
Foreign exchange gains	$ 171,702	$ 43,222
Foreign exchange losses	(160,652)	(60,367)
Net losses	$ 11,050	$ (17,145)

22. INCOME TAXES

a. The major components of income tax expense recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
Current year	$ 322,996	$ 858,870
Additional 10% income tax on unappropriated earnings	18,029	10,073
Additional income tax under basic income	30,238	1,965
Prior year adjustments	(7,990)	4,838
	363,273	875,746
Deferred tax		
Current year	8,470	(231,462)
Effect of change in tax rate	34,782	-
Others	10,801	1,591
	54,053	(229,871)
Income tax expense recognized in profit or loss	$ 417,326	$ 645,875

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

	For the Year Ended December 31	
	2018	2017
Income before income tax from continuing operations	$ 2,191,883	$ 1,890,577
Income tax expense calculated at the statutory rate	$ 696,532	$ 722,757
Nondeductible expenses in determining taxable income	(358,380)	(241,582)
Additional income tax under the basic income	30,238	1,965
Deferred tax effect of earnings of subsidiaries	43,907	176,013
Additional 10% income tax on unappropriated earnings	18,029	10,073
Adjustments for prior year's tax	(7,990)	4,838
Unrecognized deductible temporary differences	(41,175)	(24,028)
Effect of change in tax rate	34,782	-
Others	1,383	(4,161)
Income tax expense recognized in profit or loss	$ 417,326	$ 645,875

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 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%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In addition, ITEQ (WX) and ITEQ (DG) were recognized as entities in the high and new technology industry in the People's Republic of China in November 2018 and were listed in the high-tech enterprises. Therefore, their income tax rate is 15% in the 2018 to 2020; the tax amount generated in other jurisdictions is calculated based on the applicable tax rate in each relevant jurisdiction.

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

	For the Year Ended December 31	
	2018	2017
Deferred tax		
Effect of change in tax rate	$ 2,763	$ -
In respect of the current period		
Translation of foreign operations	32,619	44,569
Unrealized gain/(loss) of financial assets at FVTOCI	(75)	-
Total income tax recognized in other comprehensive income	$ 35,307	$ 44,569

c. Current tax asset and liability

	December 31	
	2018	2017
Current tax asset		
Income tax refund receivable	$ -	$ 14
Current tax liability		
Income tax payable	$ 570,668	$ 977,445

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

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Impairment loss	$ 26,053	$ (20,689)	$ -	$ 5,364
Unrealized sales allowance	7,342	(4,758)	-	2,584
Write-down of inventories	26,418	(5,864)	-	20,554
Bad debt expense	24,128	(6,823)	-	17,305
Exchange differences on translation of financial statements of foreign operations	15,653	-	35,382	51,035
Others (Note)	5,779	(671)	(75)	5,033
	$ 105,373	$ (38,805)	$ 35,307	$ 101,875

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax liabilities				
Investments accounted for using equity method	$ 352,460	$ 13,546	$ -	$ 366,006
Others	-	1,702	-	1,702
	$ 352,460	$ 15,248	$ -	$ 367,708

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
Deferred tax assets				
Impairment loss	$ 26,594	$ (541)	$ -	$ 26,053
Unrealized sales allowance	9,825	(2,483)	-	7,342
Write-down of inventories	26,562	(144)	-	26,418
Bad debt expense	20,574	3,554	-	24,128
Others	3,514	1,805	-	5,319
Exchange differences on translation of financial statements of foreign operations	-	-	15,653	15,653
	$ 87,069	$ 2,191	$ 15,653	$ 104,913
Deferred tax liabilities				
Investments accounted for using equity method	$ 580,140	$ (227,680)	$ -	$ 352,460
Exchange differences on translation of financial statements of foreign operation	28,916	-	(28,916)	-
	$ 609,056	$ (227,680)	$ (28,916)	$ 352,460

Note: The beginning balance includes IFRS 9 account opening impact of $460 thousand.

e. The information of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2018 and 2017, the taxable temporary differences associated with subsidiaries for which no deferred tax liabilities have been recognized were $6,095,292 thousand and $4,489,406 thousand, respectively.

f. Income tax returns of the Company and Bon Mou Investment Co. through 2015 and 2016 had been examined and assessed by the tax authorities.

23. EARNINGS PER SHARE

Unit: NT$ Per Share

	For the Year Ended December 31	
	2018	**2017**
Basic earnings per share		
Basic earnings per share	$ 5.86	$ 4.11
Diluted earnings per share		
Diluted earnings per share	$ 5.82	$ 4.08

The net income and weighted average number of ordinary shares outstanding in calculating earnings per share were as follows:

Net Income

	For the Year Ended December 31	
	2018	**2017**
Net income in computation of basic earnings per share	$ 1,774,557	$ 1,244,702
Net income in computation of diluted earnings per share	$ 1,774,557	$ 1,244,702

Ordinary Shares

Unit: Thousand Shares

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares in computation of basic earnings per share	302,957	302,957
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonus to employees	1,808	1,748
Weighted average number of ordinary shares used in the computation of diluted earnings per share	304,765	304,705

If the Company can settle the compensation to employees in cash or shares, the Group assumes the entire amount of the compensation would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. OPERATING LEASE ARRANGEMENTS

The Group as lessee: Operating leases related to lease of land, factory, buildings and office with lease terms from August 2012 through December 2028. All operating lease contracts over 5 years contain clauses for 5-yearly market rental reviews. The Group does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods. Refundable deposits of operating lease contracts amounted to $126,043 thousand (included in other non-current assets) as of December 31, 2018.

The Group leased land for manufacturing product and the lease terms are between 30 to 50 years. All rent of land needs to be prepaid when the lease contracts were entered into. The Group does not have a purchase option at the expiry of the lease period.

The future minimum lease payments of non-cancellable operating lease commitments as lessee are as follow:

	December 31	
	2018	**2017**
Not later than 1 year	$ 60,879	$ 48,585
Later than 1 year and not later than 5 years	275,736	182,244
Later than 5 years	148,893	125,518
	$ 485,508	$ 356,347

25. CAPITAL RISK 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 shareholders through the optimization of the debt and equity balance.

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, capital surplus, retained earnings and other equity).

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

Key management personnel of the Group review the capital structure quarterly. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Under the recommendations of the key management personnel, to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and the number of new shares issued and repurchased.

26. DISCLOSURES FOR FINANCIAL INSTRUMENTS

a. Fair values of financial instruments that are measured at fair value

1) Degree of fair value measurements

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Securities listed in ROC				
Equity securities	$ 96,769	$ -	$ -	$ 96,769
Financial assets at FVTOCI				
Equity securities	$ -	$ -	$ 29,434	$ 29,434

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC				
Equity securities	$ 585,536	$ -	$ -	$ 585,536

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
Balance at January 1 per IAS 39	$ -
Adjustment on initial application of IFRS 9	29,057
Balance at January 1 per IFRS 9	29,057
Other comprehensive income recognized for the year	377
Balance at December 31	$ 29,434

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The financial statements of the Group include non-publicly quoted equity investments measured at fair value. The fair value is determined by reference to the observable market price and the latest available net value information.

b. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Financial assets at FVTPL	$ 96,769	$ -
Loans and receivables (1)	-	12,452,379
Available-for-sale financial assets, net (2)	-	621,546
Financial assets at amortized cost (3)	12,938,947	-
Financial assets at FVTOCI	29,434	-
Financial liabilities		
Amortized cost (4)	9,703,778	9,348,816

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, portion of other receivables and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, portion of other receivables and refundable deposits.

4) The balances included financial liabilities measured at amortized cost, which comprise short-term and long-term loans, short-term bills payable, notes payable, accounts payable, other payables, current portion of long-term borrowings, and guarantee deposits received.

c. Financial risk management objective and policies

The Group 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, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's Finance Department seeks to manage the effect of these risks by using derivative financial instruments to hedge risk exposures under the policies approved by the board of directors. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. Compliance with policies and exposure limits is being reviewed by the internal auditors on a continuous basis.

1) Market risk

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk. For the years ended December 31, 2018 and 2017 approximately 39% and 45% of the Group's sales and almost 60% and 60% of costs, respectively were denominated in currencies other than the functional currency of the Group. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) and derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 29.

Sensitivity analysis

The Group was mainly exposure to U.S. dollars and analyzed the sensitivity to a $0.5 increase and decrease in New Taiwan dollars against one U.S. dollar. The sensitivity to a $0.5 change in New Taiwan dollars is 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. A positive number below indicates an increase in pre-tax profit or other equity if U.S. dollars strengthened by $0.5 against the one New Taiwan dollar. For a $0.5 in U.S. dollars weakening of U.S. dollars against one New Taiwan dollar, there would be an equal and opposite impact on pre-tax profit or other equity and the balances below would be negative.

	Currency USD	
	2018	**2017**
Profit or loss	$ (29,724)	$ 39,334

b) Interest rate risk

The Group was exposed to fair value interest rate risk because of fixed rate debt investments with short-term bills payable.

The Group was also exposed to cash flow interest rate risk because of demand deposits and floating rate bank borrowings.

The Group reviewed the interest level regularly and maintained the scope of interest rate stably. The Group will adopt hedging strategies in the cost-effective way, if necessary.

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.

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 340,115	$ 273,270
Financial liabilities	389,827	499,765
Cash flow interest rate risk		
Financial assets	2,405,983	2,222,020
Financial liabilities	4,281,983	3,448,176

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to floating interest rates for financial assets and financial liabilities. A 25 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 25 basis points higher and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would decrease by $4,690 thousand and $3,065 thousand, respectively.

c) Other price risk

The price changes in the Group's financial products, which are engaged in transactions or not for sale, will cause the fair value to change.

Sensitivity analysis

The Group reports the reasonable risk assessment of price changes to key management personnel assuming a hypothetical increase or decrease of 10% in equity prices. If equity prices increase by 10%, income before income tax and other comprehensive income for the year ended December 31, 2018 would have increased by $9,677 thousand and $2,943 thousand, respectively. The other comprehensive income for the year ended December 31, 2017 would have increased by $58,554 thousand.

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 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 balance sheets.

The Group had assigned a team to be responsible for determine and approving credit line, and this team evaluated continuously financial situation, industries and region regarding customers generated accounts receivable. In order to reduce credit risk, the Group proceeded to factoring and insure accounts receivable if necessary. In addition, the Group reviewed monthly the overdue amount of each individual accounts receivable and further recovering strategy to ensure that adequate allowances are made for irrecoverable amounts at the balance sheet date. In this regard, management believes the Group's credit risk was significantly reduced.

The credit risk on liquid funds and derivatives was limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk of 50% and 43% of total accounts receivables as of December 31, 2018 and 2017, respectively, were related to the Group's ten largest customers. The concentration of credit risk for the remainder of accounts receivable were immaterial.

3) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities and reserve borrowing facilities in capital market, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The detailed information of the Group's unused financing facilities as of December 31, 2018 and 2017 is further stated in (b) financing facilities below.

a) Liquidity risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity 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.

December 31, 2018

	180 Days	181-270 Days	271-360 Days	361+ Days	Total
Non-derivative financial liabilities					
Short-term borrowings	$ 3,261,663	$ -	$ -	$ -	$ 3,261,663
Short-term bills payable	390,000	-	-	-	390,000
Notes payable and accounts payable	4,272,168	-	-	-	4,272,168
Other payables	734,141	-	-	-	734,141
Long-term borrowings	63,840	31,920	31,920	910,674	1,038,354
	$ 8,721,812	$ 31,920	$ 31,920	$ 910,674	$ 9,696,326

December 31, 2017

	180 Days	181-270 Days	271-360 Days	361+ Days	Total
Non-derivative financial liabilities					
Short-term borrowings	$ 2,209,361	$ -	$ -	$ -	$ 2,209,361
Short-term bills payable	500,000	-	-	-	500,000
Notes payable and accounts payable	4,860,075	-	-	-	4,860,075
Other payables	523,078	-	-	-	523,078
Long-term borrowings	65,110	32,555	329,706	836,258	1,263,629
	$ 8,157,624	$ 32,555	$ 329,706	$ 836,258	$ 9,356,143

b) Financing facilities

Bank borrowings are a major source for the liquidity of the Group. The Group's financing facilities are as follows:

	December 31	
	2018	2017
Unsecured bank borrowings facility		
Amount used	$ 5,510,340	$ 5,054,315
Amount unused	3,524,755	3,597,571
	$ 9,035,095	$ 8,651,886

d. Transfers of financial assets

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

Counterparties	Interest Rates on Advances Received (%)	Receivables Sold	Advances Received at Year-end	Amounts Collected	Credit Line
December 31, 2018					
China CITIC Bank	4.29-4.72	$ -	$ -	$ -	$ 1,535,750
Bank of Jiangsu	4.2	24,828	19,862	4,966	368,580
Taishin Bank (Note)	-	88,993	-	88,993	220,504
Yuanta Bank (Note)	-	1,130	-	1,130	20,000
KGI Commercial Bank (Note)	-	6,217	-	6,217	18,429
		$ 121,168	$ 19,862	$ 101,306	$ 2,163,263
December 31, 2017					
China CITIC Bank	3.97	$ 464,154	$ 137,346	$ 326,809	$ 1,488,000
Taishin Bank	2.25	87,998	2,353	85,645	284,124
E. Sun Bank	1.38-2.44	70,776	6,362	64,414	298,800
Bank of Ningbo	4.10	63,075	15,965	47,110	297,600
Bank of Jiangsu	3.50	40,462	14,880	25,582	297,600
Ta Chong Bank (Note)	-	26,385	-	26,385	168,800
KGI Commercial Bank (Note)	-	11,099	-	11,099	17,856
		$ 763,949	$ 176,906	$ 587,044	$ 2,852,780

Note: No advances received at year end.

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) were borne by the Group, while losses from credit risk were borne by the banks. As of December 31, 2018 and 2017, the Group issued promissory notes with an aggregate amount of $494,575 thousand and $788,600 thousand to the banks as collateral, respectively.

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Win Corporation	Related party in substance
Mag. Layers Corporation	Related party in substance (after June 13, 2018, the entity was no longer a related party)

b. Sales of goods

Related Category	December 31	
	2018	2017
Mag. Layers Corporation	$ -	$ 13

The sales price to the related party is based on the Company's purchase cost plus fixed profit.

c. The Group entered into an operating lease agreement for lease of land and plant with Win Corporation. The rental period is from January 1, 2013 through December 31, 2028 and the rental is payable monthly. For the years ended December 31, 2018 and 2017, the Group's rental expense were $30,364 thousand and $28,910 thousand, and refundable deposits was $110,000 thousand (classified as other non-current asset).

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 85,929	$ 63,178
Post-employment benefits	733	763
	$ 86,662	$ 63,941

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

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Significant commitments and contingencies of the Group as of December 31, 2018 were as follows:

a. Unused letters of credit amounted to $205,129 thousand.

b. Total contracted construction equipment fees not yet paid were $526,809 thousand.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31	
	2018	2017
Foreign currency asset		
Monetary item		
USD	$ 147,146	$ 220,361
Exchange rate	30.72	29.76
Carrying amount	4,519,589	6,557,943
Foreign currency liabilities		
Monetary item		
USD	206,593	141,693
Exchange rate	30.72	29.76
Carrying amount	6,345,504	4,216,784

	For the Year Ended December 31			
	2018		2017	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	6.61 (USD:RMB)	$ 28,921	6.75 (USD:RMB)	$ (49,753)
USD	30.14 (USD:NTD)	(33,239)	30.43 (USD:NTD)	22,742

30. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and b. investees:

1) Financing provided to others. (Table 1)

2) Endorsements/guarantees provided. (Table 2)

3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 3)

4) Marketable securities acquired and disposed at costs or prices 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 8)

c. 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 7)

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:

a) The amount and percentage of purchase: Tables 4 and 8.

b) The amount and percentage of sales: Tables 4, 5 and 8.

c) The amount of assets disposed of and related gain or loss: None.

d) Endorsement/guarantee provided: Table 2.

e) Financing provided: Table 1.

f) Other transactions that significantly impacted current year's profit or loss or financial position: None.

31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for resource allocation and segment performance assessment focuses on types of goods or services delivered or provided. Specifically, the Group's reportable segments reporting department (products included prepeg products (PP) and copper clad laminates (CCL)) were as follows:

The Company excluded revenue and profit from triangular trade.

ITEQ (WX) included revenue and profit from ITEQ (WX) and IIL.

ITEQ (DG) included revenue and profit from ITEQ (DG) and IPL.

Others included revenue and profit from ITEQ (HJ), ITEQ (GZ), ITEQ (XT), Bon Mou Investment Co., ITEQ International, ITEQ Holding, ITEQ (HK), ESIC, Eagle Great and Shining Era.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results by reporting department.

	Segment Revenue		Segment Profit	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
The Company	$ 4,042,620	$ 3,524,331	$ (15,631)	$ 3,353
ITEQ (WX)	13,306,246	12,798,227	1,077,391	973,775
ITEQ (DG)	9,734,292	9,331,498	426,368	554,641
Others	5,897,809	5,001,517	407,152	311,853
	$ 32,980,967	$ 30,655,573	1,895,280	1,843,622
Headquarter management cost			(110,890)	(91,181)
Non-operating income and expense			407,493	138,136
Income before income tax			$ 2,191,883	$ 1,890,577

Intersegment transactions were not eliminated from segment revenue reported above. For the year ended December 31, 2018, the intersegment revenue from ITEQ (WX), ITEQ (DG) and others amounted to $4,214,266 thousand, $4,609,334 thousand and $1,755,645 thousand, respectively; for the year ended December 31, 2017, the intersegment revenue from ITEQ (WX), ITEQ (DG) and others amounted to $4,487,549 thousand, $3,585,607 thousand and $1,368,084 thousand, respectively.

Segment profit represents the profit earned by each segment without allocation of central administration costs and non-operating income and gains, non-operating expense and losses and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

	December 31	
	2018	2017
Segment assets		
The Company	$ 3,398,223	$ 4,156,772
ITEQ (WX)	7,114,076	8,262,515
ITEQ (DG)	6,170,952	6,078,763
Others	6,389,664	7,963,253
	23,072,915	26,461,303
Others	39,224,842	33,948,618
Eliminations	(43,602,453)	(42,370,179)
Total assets	$ 18,695,304	$ 18,039,742

(Continued)

	December 31	
	2018	2017
Segment liabilities		
The Company	$ 1,454,152	$ 1,991,159
ITEQ (WX)	3,649,147	5,795,330
ITEQ (DG)	2,245,591	2,021,257
Others	2,429,670	5,309,448
	9,778,560	15,117,194
Others	5,381,322	5,078,839
Eliminations	(4,456,550)	(9,442,125)
Total liabilities	$ 10,703,332	$ 10,753,908

(Concluded)

For the purpose of monitoring segment performance and allocating resources between segments:

1) All assets were allocated to reporting department other than interests in associates accounted for financial assets at FVTPL, available-for-sale financial assets, financial assets measured at cost, and deferred tax assets. Goodwill was allocated to reporting department. Assets used jointly by reporting department were allocated on the basis of the revenues earned by individual reporting department.

2) All liabilities were allocated to reporting department other than borrowings, short-term bills payable, net and deferred tax liabilities. Liabilities for which reporting department are jointly liable were allocated in proportion to segment assets.

c. Other segment information

	Depreciation and Amortization		Additions to Non-current Assets	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
The Company	$ 208,431	$ 221,911	$ 29,827	$ 116,905
ITEQ (WX)	167,752	161,555	191,570	75,689
ITEQ (DG)	59,858	61,091	53,281	30,304
Others	109,210	115,262	9,499	83,811
	545,251	559,819	$ 284,177	$ 306,709
	$ 545,251	$ 559,819		

These impairment losses were attributable to the following reporting department:

	For the Year Ended December 31	
	2018	2017
Others	$ -	$ (33,694)

d. Geographical information

The Group operates in two principal geographical areas - Taiwan 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:

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	**2017**	**2018**	**2017**
Taiwan	$ 4,042,620	$ 3,524,331	$ 975,064	$ 1,143,987
Asia	18,359,102	17,690,002	2,416,067	1,970,811
	$ 22,401,722	$ 21,214,333	$ 3,391,131	$ 3,114,798

Non-current assets excluded prepaid investment cost, available-for-sale financial assets - non-current, net, financial assets at FVTPL - non-current, financial assets at FVTOCI - non-current, financial assets measured at cost - non-current and deferred tax assets.

e. Information about major customers

For the years ended December 31, 2018 and 2017, revenues of $1,936,662 thousand and $2,081,801 thousand, respectively, from sales of the Group's largest customer were accounted for 9% and 10%, of the Group's total sales.

TABLE 1

ITEQ CORPORATION AND SUBSIDIARIES

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

No.	Financing Company Name	Borrower	Financial Statement Account	Related Parties	Maximum Balance for the Period (In Thousands)	Ending Balance (In Thousands)	Transaction Amounts (In Thousands)	Interest Rate	Type of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Doubtful Accounts	Collateral		Financing Limit for Each Borrowing Company (Notes 1 and 2)	Financing Amount Limits (Notes 1 and 2)
													Item	Value		
1	IPL	Shining Era	Other receivables	Yes	US$ 909 thousand	US$ - thousand	US$ - thousand	-	Short-term financing	$ -	Operating capital	$ -	-	$ -	$ 109,468	$ 109,468
		Eagle Great	Other receivables	Yes	US$ 303 thousand	US$ - thousand	US$ - thousand	-	Short-term financing	-	Operating capital	-	-	-	109,468	109,468
		ESIC	Other receivables	Yes	US$ 1,318 thousand	US$ - thousand	US$ - thousand	-	Short-term financing	-	Operating capital	-	-	-	109,468	109,468
2	IIL	ITEQ (WX)	Other receivables	Yes	US$ 3,027 thousand	US$ 1,730 thousand	US$ 1,730 thousand	-	Short-term financing	-	Operating capital	-	-	-	107,072	107,072
3	Eagle Great	ITEQ (HJ)	Other receivables	Yes	US$ 737 thousand	US$ - thousand	US$ - thousand	-	Short-term financing	-	Operating capital	-	-	-	1,480,124	1,480,124
4	ITEQ (DG)	ITEQ (HJ)	Other receivables	Yes	RMB 39,032 thousand	RMB 10,520 thousand	RMB 10,520 thousand	-	Short-term financing	-	Operating capital	-	-	-	1,480,124	1,480,124
5	Bon Mou Investment Co.	ITEQ Corporation	Other receivables	Yes	NT$ 100,000 thousand	NT$ 100,000 thousand	NT$ 100,000 thousand	-	Short-term financing	-	Operating capital	-	-	-	1,480,124	1,480,124

Note 1: Not exceeding 20% and 40% of the latest net assets of the Company reviewed by auditors.

Note 2: Lower of 600% of the latest net assets of ITEQ subsidiaries audited or reviewed by auditors or 20% of the latest audited or reviewed net assets of the Company.

Note 3: Eliminated in the consolidated financial statements.

TABLE 2

ITEQ CORPORATION AND SUBSIDIARIES

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

No.	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Notes 1 and 2)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee Collateralized by Property, Plant and Equipment	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Maximum Endorsement/ Guarantee Amount Allowable (Notes 1 and 2)	Endorsement/ Guarantee Provided by Parent	Endorsement/ Guarantee Provided by Subsidiaries	Endorsement/ Guarantee Provided to Subsidiaries in Mainland China
		Name	Relationship										
0	ITEQ Corporation	IIL	Indirect holding 100% by subsidiary	$ 7,400,620	$ 1,272,875 (Note 3)	$ 1,182,528	$ 334,904	$ -	15.98%	$ 9,990,837	Y	N	N
		IPL	Indirect holding 100% by subsidiary	7,400,620	1,625,138 (Note 3)	1,612,538	488,325	-	21.79%	9,990,837	Y	N	N
		ITEQ (WX)	Indirect holding 100% by subsidiary	7,400,620	154,775 (Note 3)	153,575	-	-	2.08%	9,990,837	Y	N	Y
		IIL, IPL	Indirect holding 100% by subsidiary	7,400,620	300,000 (Note 3)	300,000	-	-	4.05%	9,990,837	Y	N	N

Note 1: 100% or 135% of the latest audited or reviewed equity of the Company.

Note 2: Not exceeding 300% of the latest net assets of ITEQ subsidiaries audited or reviewed by auditors.

Note 3: Credit line of bank is made by issuing a short-term note.

TABLE 3

ITEQ CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company (Note 2)	Financial Statement Account	December 31, 2018				Note
				Shares (Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
ITEQ Corporation	Shares							
	Bon-In Biologic Technology Company	-	Financial assets at FVTPL - non-current	100	$ -	5.0	$ -	
Bon Mou Investment Co.	Shares							
	Mortech Corporation	-	Financial assets measured at cost - non-current	500	-	1.6	-	
	Big Sun Energy Technology Inc.	-	Financial assets measured at cost - non-current	887	-	0.5	-	
	Ding Mou Corporation	-	Financial assets measured at cost - non-current	100	-	0.4	-	
	Gemtek Technology Co., Ltd.	Its director is the chairman of the Company	Available-for-sale financial - non-current	2,440	55,998	0.7	55,998	
	Taiwan Business Bank	-	Financial assets at FVTPL - current	500	5,175	-	5,175	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at FVTPL - current	163	17,523	0.1	17,523	
	Grand Fortune Securities Co., Ltd.	-	Financial assets at FVTPL - current	2,234	18,073	0.9	18,073	
	TIEF Fund, L.P.	-	Financial assets at FVTOCI - current	-	29,434	4.8	29,434	
Mega Crown	Equity							
	Commerciale Internazionale Elettronica S.R.L.	-	Financial assets at FVTPL - non-current	-		18.0	-	

Note 1: Marketable securities were shares, bonds, beneficiary certificates and others within the scope of IFRS 9 “Financial Instruments”.

Note 2: Refer to Tables 6 and 7 for the information on subsidiaries and associates.

TABLE 4

ITEQ CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE 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	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
ITEQ Corporation	ITEQ (DG)	Indirect holding 100% by subsidiary	Purchase	$ 565,500	16	-	$ -	-	$ (54,360)	(8)	
ITEQ (DG)	ITEQ Corporation	Indirect holding 100% by subsidiary	Sale	(565,500)	(7)	-	-	-	54,360	1	
ITEQ Corporation	ITEQ (DG)	Indirect holding 100% by subsidiary	Sale	(950,655)	(24)	-	-	-	364,401	30	
ITEQ (DG)	ITEQ Corporation	Indirect holding 100% by subsidiary	Purchase	950,655	14	-	-	-	(364,401)	(27)	
ITEQ Corporation	ITEQ (WX)	Indirect holding 100% by subsidiary	Purchase	323,184	15	-	-	-	(70,976)	0	
ITEQ (WX)	ITEQ Corporation	Indirect holding 100% by subsidiary	Sale	(323,184)	(3)	-	-	-	70,976	0	
ITEQ Corporation	ITEQ (WX)	Indirect holding 100% by subsidiary	Sale	(309,258)	(8)	-	-	-	51,043	4	
ITEQ (WX)	ITEQ Corporation	Indirect holding 100% by subsidiary	Purchase	309,258	3	-	-	-	(51,043)	(2)	
ITEQ (DG)	ITEQ (GZ)	Same parent company	Sale	(1,156,531)	(15)	-	-	-	241,088	9	
ITEQ (GZ)	ITEQ (DG)	Same parent company	Purchase	1,156,531	25	-	-	-	(241,088)	(31)	
	ITEQ (DG)	Same parent company	Sale	(976,885)	(19)	-	-	-	56,422	3	
ITEQ (DG)	ITEQ (GZ)	Same parent company	Purchase	976,885	14	-	-	-	(56,422)	(4)	
ITEQ (GZ)	IPL	Same parent company	Sale	(384,599)	(8)	-	-	-	73,313	4	
IPL	ITEQ (GZ)	Same parent company	Purchase	384,599	19	-	-	-	(73,313)	(23)	
	ITEQ (GZ)	Same parent company	Sale	(502,706)	(24)	-	-	-	112,369	24	
ITEQ (GZ)	IPL	Same parent company	Purchase	502,706	11	-	-	-	(112,369)	(15)	
IPL	ITEQ (DG)	Same parent company	Sale	(925,978)	(44)	-	-	-	287,445	61	
ITEQ (DG)	IPL	Same parent company	Purchase	925,978	13	-	-	-	(287,445)	(21)	
	IPL	Same parent company	Sale	(541,351)	(7)	-	-	-	32,119	1	
IPL	ITEQ (DG)	Same parent company	Purchase	541,351	26	-	-	-	(32,119)	(10)	

(Continued)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
IIL	ITEQ (WX)	Same parent company	Sale	$ (1,819,115)	(70)	-	$ -	-	$ 737,136	84	
ITEQ (WX)	IIL	Same parent company	Purchase	1,819,115	20	-	-	-	(737,136)	(27)	
	IIL	Same parent company	Sale	(765,972)	(7)	-	-	-	102,200	3	
IIL	ITEQ (WX)	Same parent company	Purchase	765,972	30	-	-	-	(102,200)	(24)	
ITEQ (WX)	ITEQ (DG)	Same parent company	Sale	(756,477)	(7)	-	-	-	45,573	1	
ITEQ (DG)	ITEQ (WX)	Same parent company	Purchase	756,477	11	-	-	-	(45,573)	(4)	
IIL	IPL	Same parent company	Sale	(181,972)	(7)	-	-	-	44,408	5	
IPL	IIL	Same parent company	Purchase	181,972	9	-	-	-	(44,408)	(14)	

Note 1: The transactions with ITEQ (DG) were made through IPL. The transactions with ITEQ (WX) were made through IIL.

Note 2: The selling prices and collection terms for products sold to related parties were similar to those products sold to third parties.

Note 3: Eliminated in the consolidated financial statements.

(Concluded)

TABLE 5

ITEQ CORPORATION 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 (Note)	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment
					Amount	Actions Taken		
ITEQ (DG)	ITEQ (HJ)	Same parent company	$ 175,565	-	$ -	-	$ 79,436	$ -
	ITEQ (GZ)	Same parent company	241,088	-	-	-	186,978	-
ITEQ (WX)	IIL	Same parent company	102,200	-	-	-	86,840	-
IPL	ITEQ (DG)	Same parent company	287,445	-	-	-	287,445	-
	ITEQ (GZ)	Same parent company	112,369	-	-	-	112,369	-
IIL	ITEQ (WX)	Same parent company	737,136	-	-	-	263,514	-
ITEQ Corporation	ITEQ (DG)	Same parent company	364,401	-	-	-	270,954	-

Note: Eliminated in the consolidated financial statements.

TABLE 6

ITEQ CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or Foreign Currency)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits	Note
				December 31, 2018	December 31, 2017	Shares (Thousands)	%	Carrying Amount			
ITEQ Corporation	ITEQ International	Samoa	Investment	US$ 61,719 thousand	US$ 61,719 thousand	18,500	100	$ 9,998,530	$ 1,593,173	$ 1,593,173	Note
	Bon Mou Investment Co.	Hsin Chu, Taiwan	Investment	370,000	370,000	37,000	100	704,595	220,594	220,594	
ITEQ International	ITEQ Holding	British Cayman Islands	Investment	US$ 61,719 thousand	US$ 61,719 thousand	18,500	100	US$ 318,156 thousand	US$ 52,670 thousand	US$ 52,670 thousand	
ITEQ Holding	ESIC	British Virgin Islands	Investment in PRC	US$ 13,000 thousand	US$ 13,000 thousand	10,750	100	US$ 125,476 thousand	US$ 10,343 thousand	US$ 10,343 thousand	
	IPL	Samoa	Import and export business	US$ 500 thousand	US$ 500 thousand	500	100	US$ 732 thousand	US$ 139 thousand	US$ 139 thousand	
	IIL	Samoa	Import and export business	US$ 1,000 thousand	US$ 1,000 thousand	1,000	100	US$ 6,084 thousand	US$ (497 thousand)	US$ (497 thousand)	
	Eagle Great	British Cayman Islands	Investment in PRC	US$ 8,499 thousand	US$ 8,499 thousand	8,499	100	US$ 12,230 thousand	US$ 2,415 thousand	US$ 2,415 thousand	
	Shining Era	Samoa	Investment	US$ 3,000 thousand	US$ 3,000 thousand	3,000	100	US$ 1,221 thousand	US$ (7 thousand)	US$ (7 thousand)	
	ITEQ (HK)	Hong Kong	Investment in PRC	US$ 24,200 thousand	US$ 24,200 thousand	24,200	100	US$ 145,801 thousand	US$ 40,282 thousand	US$ 40,282 thousand	
	Mega Crown	Samoa	Investment	US$ 223 thousand	US$ 223 thousand	300	100	US$ - thousand	US$ - thousand	- thousand	

Note: Information on investees in mainland China is detailed in Table 7.

TABLE 7

ITEQ CORPORATION AND SUBSIDIARIES

INVESTMENTS ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars or of Foreign Currency)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investments	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee (Note 2)	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
ITEQ (DG)	Produces and sells prepeg and copper clad lamination	US$ 20,000 thousand	Notes 1 and 4	US$ 13,000 thousand	$ -	$ -	US$ 13,000 thousand	US$ 10,474 thousand	100	US$ 10,474 thousand	US$ 118,906 thousand	$ -
ITEQ (WX)	Produces and sells prepeg and copper clad lamination	US$ 41,000 thousand	Notes 1 and 4	US$ 22,100 thousand	-	-	US$ 22,100 thousand	US$ 31,133 thousand	100	US$ 31,133 thousand	US$ 103,253 thousand	US$ 82,231 thousand
ITEQ (HJ)	Produces and sells mass lamination	US$ 8,499 thousand	Notes 1 and 4	US$ 8,286 thousand	-	-	US$ 8,286 thousand	US$ 2,412 thousand	100	US$ 2,412 thousand	US$ 11,692 thousand	-
ITEQ (GZ)	Produces and sells prepeg and copper clad lamination	US$ 16,200 thousand	Note 1	US$ 16,200 thousand	-	-	US$ 16,200 thousand	US$ 8,827 thousand	100	US$ 8,827 thousand	US$ 71,894 thousand	-
ITEQ (XT)	Produces and sells prepeg and copper clad lamination	US$ 1,800 thousand	Notes 1, 4 and 5	-	-	-	-	US$ (22 thousand)	100	US$ (22 thousand)	US$ - thousand	-
ITEQ (JX)	Produces and sells prepeg and copper clad lamination	US$ 15,600 thousand	Notes 1 and 4	-	-	-	-	US$ (48 thousand)	100	US$ (48 thousand)	US$ 14,976 thousand	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
US$59,586 thousand	US$80,400 thousand	$4,795,183(Note 3)

Note 1: Investment in China through incorporating an overseas company.

Note 2: Investment income (loss) was based on financial statements audited by the parent company's auditors.

Note 3: The Company's net asset value or 60% of the consolidated net asset value is based on the regulation issued on August 29, 2008 by the Investment Commission under the Ministry of Economic Affairs

(Continued)

Note 4: ITEQ Holding used its funds to invest in ITEQ (DG), ITEQ (WX), ITEQ (HJ), ITEQ (GZ), ITEQ (XT) through ITEQ (HK) and ITEQ (JX) used to invest in ESIC, ITEQ (DG), ITEQ (WX).

Note 5: ITEQ (XT) completed the dissolution and liquidation in November 2018.

Note 6: Eliminated in the consolidated financial statements.

(Concluded)

TABLE 8

ITEQ CORPORATION AND SUBSIDIARIES

SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Transaction Company	Counterparty	Flow of Transactions (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
1	IPL	ITEQ (DG)	c	Accounts receivable	$ 287,445	Note 4	1.54%
3	ITEQ (DG)	IPL	c	Accounts payable	287,445	Note 4	1.54%
11	HK	Holding	c	Other payable	816,064	Note 4	4.37%
13	Holding	HK	c	Other receivable	816,064	Note 4	4.37%
2	IIL	ITEQ (WX)	c	Accounts receivable	737,136	Note 4	3.94%
4	ITEQ (WX)	IIL	c	Accounts payable	737,136	Note 4	3.94%
3	ITEQ (DG)	ITEQ (GZ)	c	Accounts receivable	241,088	Note 4	1.29%
9	ITEQ (GZ)	ITEQ (DG)	c	Accounts payable	241,088	Note 4	1.29%
0	ITEQ	ITEQ (DG)	a	Accounts receivable	364,401	Note 4	1.95%
3	ITEQ (DG)	ITEQ	b	Accounts payable	364,401	Note 4	1.95%
0	ITEQ	IPL	a	Cost of goods sold	523,690	Note 4	2.34%
1	IPL	ITEQ	b	Sale	523,690	Note 4	2.34%
0	ITEQ	IIL	a	Cost of goods sold	257,390	Note 4	1.15%
2	IIL	ITEQ	b	Sale	257,390	Note 4	1.15%
1	IPL	ITEQ (GZ)	c	Sale	502,706	Note 4	2.24%
9	ITEQ (GZ)	IPL	c	Cost of goods sold	502,706	Note 4	2.24%
1	IPL	ITEQ (DG)	c	Sale	925,978	Note 4	4.13%
3	ITEQ (DG)	IPL	c	Cost of goods sold	925,978	Note 4	4.13%

(Continued)

No. (Note 1)	Transaction Company	Counterparty	Flow of Transactions (Note 2)	Description of Transactions (Notes 3 and 5)			
				Account	Amount	Transaction Terms	Ratio of Consolidated Revenue/Assets
2	IIL	ITEQ (WX)	c	Sale	$ 1,819,115	Note 4	8.12%
4	ITEQ (WX)	IIL	c	Cost of goods sold	1,819,115	Note 4	8.12%
9	ITEQ (GZ)	IPL	c	Sale	384,599	Note 4	1.72%
1	IPL	ITEQ (GZ)	c	Cost of goods sold	384,599	Note 4	1.72%
9	ITEQ (GZ)	ITEQ (DG)	c	Sale	976,885	Note 4	4.36%
3	ITEQ (DG)	ITEQ (GZ)	c	Cost of goods sold	976,885	Note 4	4.36%
4	ITEQ (WX)	IIL	c	Sale	765,972	Note 4	3.42%
2	IIL	ITEQ (WX)	c	Cost of goods sold	765,972	Note 4	3.42%
4	ITEQ (WX)	ITEQ (DG)	c	Sale	756,477	Note 4	3.38%
3	ITEQ (DG)	ITEQ (WX)	c	Cost of goods sold	756,477	Note 4	3.38%
3	ITEQ (DG)	IPL	c	Sale	541,351	Note 4	2.42%
1	IPL	ITEQ (DG)	c	Cost of goods sold	541,351	Note 4	2.42%
3	ITEQ (DG)	ITEQ (GZ)	c	Sale	1,156,531	Note 4	5.16%
9	ITEQ (GZ)	ITEQ (DG)	c	Cost of goods sold	1,156,531	Note 4	5.16%
3	ITEQ (DG)	ITEQ (HJ)	c	Sale	213,719	Note 4	0.95%
7	ITEQ (HJ)	ITEQ (DG)	c	Cost of goods sold	213,719	Note 4	0.95%
0	ITEQ	ITEQ (WX)	a	Sale	309,258	Note 4	1.38%
0	ITEQ	ITEQ (DG)	a	Sale	950,655	Note 4	4.24%
7	ITEQ (WX)	ITEQ	b	Cost of goods sold	309,258	Note 4	1.38%
3	ITEQ (DG)	ITEQ	b	Cost of goods sold	950,655	Note 4	4.24%

Note 1: The types of business transactions are indicated by the following numbers shown in the No. column:

a. 0 - ITEQ (parent company).
b. 1 to 9 - subsidiaries.

(Continued)

Note 2: The transaction flows were as follows:

a. 1 - from parent company to subsidiary.
b. 2 - from subsidiary to parent company.
c. 3 - between subsidiaries.

Note 3: The ratio of consolidated revenue/assets depends on the account to which it belongs. The profit and loss account is a percentage of consolidated revenue while the assets/liabilities are a percentage of consolidated total assets.

Note 4: The transaction terms are comparable to those of the third parties.

Note 5: A transaction is disclosed if it amounts to more than $200,000 thousand.

(Concluded)