

English Translation of Financial Statements and a Report Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.
PARENT-COMPANY-ONLY FINANCIAL STATEMENTS
WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS
AS OF DECEMBER 31, 2018 AND 2017
AND FOR THE YEARS THEN ENDED

Address: No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)
Telephone: (03)349-3300

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese
Parent-company-only financial statements
Index

Item	Page numbering
1.Cover sheet	1
2.Index	2
3.Report of independent auditors	3-7
4.Parent-company-only balance sheets	8-9
5.Parent-company-only statements of comprehensive income	10
6.Parent-company-only statements of changes in equity	11
7.Parent-company-only statements of cash flows	12
8.Footnotes to the parent-company-only financial statements	
(1)History and organization	13
(2)Date and procedures of authorization of financial statements for issue	13
(3)Newly issued or revised standards and interpretations	13-21
(4)Summary of significant accounting policies	21-44
(5)Significant accounting judgments, estimates and assumptions	44-46
(6)Contents of significant accounts	46-71
(7)Related party transactions	71-74
(8)Assets pledged as collateral	74
(9)Significant contingencies and unrecognized contract commitments	74
(10)Losses due to major disasters	74
(11)Significant subsequent events	75
(12)Others	75-82
(13)Other disclosures	
1.Additional disclosures required by the R.O.C. Securities and Futures Bureau	82-83
2.Information on investees	83-84
3.Information on investments in Mainland China	85-88
(14)Segment information	88
9.Details of significant accounts	96-120

English Translation of a Report Originally Issued in Chinese
AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors
Dynamic Electronics Co., LTD.

Opinion

We have audited the accompanying parent-company-only balance sheets of Dynamic Electronics Co., LTD. (the “Company”) as of December 31, 2018 and 2017, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together “the parent-company-only financial statements”).

In our opinion, the parent-company-only financial statements referred to above present fairly, in all material respects, the parent-company-only financial position of the Company as of December 31, 2018 and 2017, and their parent-company-only financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and 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 Parent-Company-Only Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the “Norm”), and we have fulfilled our other ethical responsibilities in accordance with the Norm. 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 the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$4,316,209 thousand for the year ended December 31, 2018 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, the timing of fulfilling performance obligation needs to be determined based on varieties of sale terms and conditions enacted in the main sale contracts or sale orders. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, sampling-test of details, including obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the fulfillment timing, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 4 and 6 to the financial statements.

Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT\$229,287 thousand, representing 3.36% of total assets, as of December 31, 2018 is significant to the Company's financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter - provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

Responsibilities of Management and Those Charged with Governance for the Parent-Company-Only Financial Statements

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

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Parent-Company-Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent-company-only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 parent-company-only financial statements.

As part of an audit in accordance with 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 parent-company-only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the 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 2018 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Emphasis of Matter – Applying for New Accounting Standards

We draw attention to Note 3 of the parent-company-only financial statements, which describes the Company applied for the International Financial Reporting Standard 9, "Financial Instruments" and 15, "Revenue from Contracts with Customers" starting from January 1, 2018, and elected not to restate the parent-company-only financial statements for prior periods. Our conclusion is not modified in respect of this matter.

Cheng, Ching-Piao
Hong, Mao-Yi
Ernst & Young
February 24th, 2019
Taipei, Taiwan,
Republic of China

Notice to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures and practice to audit such financial statements are those generally accepted and applied in the Republic of China on Taiwan.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.
PARENT-COMPANY-ONLY BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2018		As of December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$103,166	2	\$141,020	2
1150	Notes receivable, net	4, 6(2)	2	-	8,716	-
1170	Accounts receivable, net	4, 6(3)	1,476,484	22	1,172,471	17
1180	Accounts receivable - related parties, net	4, 6(3), 7	15,819	-	202	-
1200	Other receivables		9,097	-	14,504	-
1210	Other receivables - related parties	7	6,844	-	860	-
1310	Inventories, net	4, 6(4)	229,287	3	253,210	4
1410	Prepayments		49,777	1	55,518	1
1470	Other current assets		11,337	-	10,982	-
11XX	Total current assets		<u>1,901,813</u>	<u>28</u>	<u>1,657,483</u>	<u>24</u>
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(5)	4,116,359	60	4,485,504	64
1600	Property, plant and equipment, net	4, 6(6), 8, 9	540,973	8	618,245	9
1780	Intangible assets, net	4, 6(7)	5,380	-	11,298	-
1840	Deferred tax assets	4, 6(22)	254,763	4	197,706	3
1900	Other non-current assets	6(8)	2,882	-	2,147	-
15XX	Total non-current assets		<u>4,920,357</u>	<u>72</u>	<u>5,314,900</u>	<u>76</u>
1XXX	Total Assets		<u>\$6,822,170</u>	<u>100</u>	<u>\$6,972,383</u>	<u>100</u>

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS(Continued)

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2018		As of December 31, 2017	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	\$913,793	13	\$643,440	9
2170	Accounts payable		254,959	4	318,029	4
2180	Accounts payable - related parties	7	667,480	10	737,236	11
2200	Other payables	6(10)	187,208	3	196,869	3
2220	Other payables - related parties	7	-	-	4,057	-
2300	Other current liabilities		12,770	-	11,054	-
2322	Current portion of long-term loans	6(11), 8	91,200	1	53,200	1
2355	Lease payable	4, 6(12)	441	-	-	-
2365	Refund liability	4, 6(13)	41,457	1	-	-
21XX	Total current liabilities		<u>2,169,308</u>	<u>32</u>	<u>1,963,885</u>	<u>28</u>
	Non-current liabilities					
2540	Long-term loans	6(11), 8	455,600	6	546,800	8
2570	Deferred tax liabilities	4, 6(22)	265,952	4	252,786	4
2613	Lease payable	4, 6(12)	451	-	-	-
2640	Net defined benefit liabilities	4, 6(14)	1,359	-	1,143	-
25XX	Total non-current liabilities		<u>723,362</u>	<u>10</u>	<u>800,729</u>	<u>12</u>
2XXX	Total liabilities		<u>2,892,670</u>	<u>42</u>	<u>2,764,614</u>	<u>40</u>
	Equity					
3100	Capital	6(15)				
3110	Common stock		2,810,594	41	2,810,594	40
3200	Capital surplus	6(15)	1,061,873	16	1,061,873	15
3300	Retained earnings	6(15)				
3310	Legal reserve		531,385	8	531,385	8
3320	Special reserve		299,666	4	299,666	4
3350	Accumulated profit or loss		(490,759)	(7)	(252,011)	(4)
3400	Other components of equity		(283,259)	(4)	(243,738)	(3)
3XXX	Total equity		<u>3,929,500</u>	<u>58</u>	<u>4,207,769</u>	<u>60</u>
	Total liabilities and equity		<u>\$6,822,170</u>	<u>100</u>	<u>\$6,972,383</u>	<u>100</u>

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

Code	Accounts	Notes	2018		2017	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(16), 7	\$4,316,209	100	\$4,620,391	100
5000	Operating costs	6(4), 7	(4,188,400)	(97)	(4,446,484)	(96)
5900	Gross profit		127,809	3	173,907	4
6000	Operating expenses	7				
6100	Sales and marketing expenses		(169,111)	(4)	(190,925)	(4)
6200	General and administrative expenses		(139,504)	(3)	(137,247)	(3)
6300	Research and development expenses		(704)	-	(5,486)	-
	Operating expenses total		(309,319)	(7)	(333,658)	(7)
6900	Operating loss		(181,510)	(4)	(159,751)	(3)
7000	Non-operating income and expenses	6(20), 7				
7010	Other income		27,079	1	33,218	-
7020	Other gains and losses		14,508	-	(19,027)	-
7050	Finance costs		(27,097)	(1)	(20,261)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(5)	(111,616)	(2)	174,915	3
	Non-operating income and expenses total		(97,126)	(2)	168,845	3
7900	Income (loss) from continuing operations before income tax		(278,636)	(6)	9,094	-
7950	Income tax benefit	4, 6(22)	37,751	-	-	-
8200	Net income (loss)		(240,885)	(6)	9,094	-
8300	Other comprehensive income (loss)	6(21)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		2,137	-	4,580	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(45,661)	-	(96,985)	(2)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		6,140	-	16,487	-
	Total other comprehensive income (loss), net of tax		(37,384)	-	(75,918)	(2)
8500	Total comprehensive income (loss)		\$(278,269)	(6)	\$(66,824)	(2)
9750	Earnings (loss) per share - basic (in NT\$)	6(23)	\$(0.86)		\$0.03	
9850	Earnings (loss) per share - diluted (in NT\$)	6(23)	\$(0.86)		\$0.03	

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Capital	Capital Surplus	Retained Earnings			Other Components of equity	Total Equity
				Legal Reserve	Special Reserve	Accumulated profit or loss	Exchange differences arising on translation of foreign operations	
		3110	3200	3310	3320	3350	3410	3XXX
A1	Balance as of January 1, 2017	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(265,685)	\$(163,240)	\$4,274,593
D1	Net income for 2017					9,094		9,094
D3	Other comprehensive income (loss) for 2017					4,580	(80,498)	(75,918)
D5	Total comprehensive income (loss)	-	-	-	-	13,674	(80,498)	(66,824)
Z1	Balance as of December 31, 2017	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(252,011)</u>	<u>\$(243,738)</u>	<u>\$4,207,769</u>
A1	Balance as of January 1, 2018	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(252,011)	(243,738)	\$4,207,769
D1	Net loss for 2018					(240,885)		(240,885)
D3	Other comprehensive income (loss) for 2018					2,137	(39,521)	(37,384)
D5	Total comprehensive income (loss)	-	-	-	-	(238,748)	(39,521)	(278,269)
Z1	Balance as of December 31, 2018	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(490,759)</u>	<u>\$(283,259)</u>	<u>\$3,929,500</u>

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2018	2017	Code	Items	2018	2017
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income (loss) before tax	\$ (278,636)	\$ 9,094	B01800	Acquisition of Investment accounted for under equity method	-	(152,200)
A20000	Adjustments:			B02400	Proceeds from capital reduction of investments accounted for under equity method	210,853	-
A20010	Profit or loss not effecting cash flows:			B02800	Acquisition of property, plant and equipment	(54,918)	(135,041)
A20100	Depreciation	139,326	160,699	B04400	Proceeds from disposal of property, plant and equipment	4,577	40
A20200	Amortization	6,221	7,834	B04500	Acquisition of intangible assets	(303)	(6,120)
A20900	Interest expense	27,097	20,261	B03700	Decrease (increase) in refundable deposits	(735)	(243)
A21200	Interest income	(3,920)	(292)	BBBB	Net cash provided by (used in) investing activities	159,474	(293,564)
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	111,616	(174,915)				
A22500	Loss (gain) on disposal of property, plant and equipment	(2,614)	(2,046)				
A23200	Loss (gain) on disposal of investment under equity method	-	(8,202)				
A30000	Changes in operating assets and liabilities:						
A31130	Notes receivable	8,714	2,090				
A31150	Accounts receivable	(304,013)	489,557				
A31160	Accounts receivable - related parties	(15,617)	6,399				
A31180	Other receivable	5,407	1,734	CCCC	Cash flows from financing activities:		
A31190	Other receivable - related parties	(5,984)	(588)	C00100	Increase in (repayment of) short-term loans	270,353	(169,870)
A31200	Inventories	23,923	13,677	C01600	Increase in long-term loans	-	600,000
A31230	Prepayment	5,741	(9,074)	C01700	Repayment of long-term loans	(53,200)	(293,808)
A31240	Other current assets	(355)	(10,504)	C03900	Increase (decrease) in lease payable	892	-
A32150	Accounts payable	(63,070)	(59,041)	CCCC	Net cash provided by (used in) financing activities	218,045	136,322
A32160	Accounts payable - related parties	(69,756)	(241,699)				
A32180	Accrued expenses	(18,674)	(55,186)				
A32190	Other payables - related parties	(4,057)	1,767				
A32230	Other current liabilities	1,716	(1,305)				
A32240	Net defined benefit liabilities	2,353	4,796				
A32990	Refund liability	41,457	-				
A32000	Cash generated from operations	(393,125)	155,056				
A33100	Interest received	3,920	292				
A33300	Interest paid	(26,168)	(19,985)	EEEE	Net Increase (decrease) in cash and cash equivalents	(37,854)	(21,879)
A33500	Income tax paid	-	-	E00100	Cash and cash equivalents at beginning of period	141,020	162,899
AAAA	Net cash provided by (used in) operating activities	(415,373)	135,363	E00200	Cash and cash equivalents at end of period	\$103,166	\$141,020

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

1. History and organization

Dynamic Electronics Co., Ltd. (“the Company”) was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company’s registered office and the main business location is at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 24, 2019.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment have no material effect on the Company.

(a) IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

A. Please refer to Note 4 for both the accounting policies before and after January 1, 2018.

- B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company fulfills a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition for sale of goods. However, if the Company has transferred the goods to customers for some contracts but does not yet have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. Besides, loss allowance against contract assets should be assessed in accordance with IFRS 9. In summary, the GAAP difference between IFRS 15 and IAS 18 has no material impact on the Company's financial statements.
- C. Prior to January 1, 2018, the Company recognized an allowance for sale return and discount as a contra-account to accounts receivable when partial or all considerations received might be returned or a chargeback is expected to occur. While, after adopting IFRS 15 on January 1, 2018, such an allowance for sales return and discount shall be presented under the caption of refund liabilities within other current liabilities. The aforementioned impacts lead to an increase in both net account receivable and refund liabilities, due to the allowance for sale return and discount being recasted, amounted to NT\$40,918 thousand as of January 1, 2018 and NT\$41,457 thousand as of December 31, 2018.
- D. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

(2) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company:

- (a) The Company adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
At amortized cost		At amortized cost (including	<u>\$1,337,573</u>
Loans and receivables (including cash and cash equivalents, notes receivable, accounts receivable and other receivables)	<u>\$1,337,573</u>	cash and cash equivalents, notes receivable, accounts receivable and other receivables)	

- (c) The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follow:

					Retained earnings	Other components of equity
IAS 39		IFRS 9			Adjusted amounts	Adjusted amounts
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference		
Loans and receivables (Note 1)						
Cash and cash equivalents	\$140,820	Cash and cash equivalents	\$140,820	\$-	\$-	\$-
Notes receivable	8,716	Notes receivable	8,716	-	-	-
Accounts receivable	1,172,673	Accounts receivable	1,172,673	-	-	-
Other receivables	15,364	Other receivables	15,364	-	-	-
Total	\$1,337,573	Total	\$1,337,573	\$-	\$-	\$-

Notes:

- (1) In accordance with IAS 39, the cash flow characteristics for loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 “Leases”	January 1, 2019
b	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
c	IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a) IFRS 16 “Leases”

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors’ classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b) IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

(c) IAS 28 “Investment in Associates and Joint Ventures” - Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint

venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(d) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

(e) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

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

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Company.

(1) IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS 16 on the Company are summarized as follows:

A. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 at the date of initial application.

(a) Leases classified as finance leases

For leases that were classified as finance leases applying IAS 17, the Company expects to reclassify the lease asset of NT\$1,483 thousand and the lease payable of NT\$893 thousand as measured by IAS 17 to the right-of-use asset of NT\$1,483 thousand and the lease liability of NT\$893 thousand, respectively, on January 1, 2019.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

3. Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and 8)	January 1, 2020

- (a) IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

- (b) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts

at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) Estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) A risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(c) Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d) Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. The Company assessed all standards and interpretations have no material impact on the Company.

4.Summary of significant accounting policies

(1)Statement of Compliance

The Company's parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

(2)Basis of Preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ("NT\$") unless otherwise stated.

(3)Foreign Currency Transactions

The Company's parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at

the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following.

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instrument
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

(4) Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(5) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company holds the asset primarily for the purpose of trading;
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7)Financial instruments

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

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a)Financial assets: Recognition and Measurement

The accounting policy from January 1, 2018 as follow:

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

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. The Company's business model for managing the financial assets and
- B. The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- B. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognise the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. 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

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses

and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
- (i) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - (ii) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Besides, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before January 1, 2018 as follow:

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

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss.

A financial asset is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(b) Impairment of financial assets

The accounting policy from January 1, 2018 as follow:

The Company recognizes a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. The time value of money; and
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

The accounting policy before January 1, 2018 as follow:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows

of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- A. Significant financial difficulty of the issuer or obligor; or
- B. A breach of contract, such as a default or delinquency in interest or principal payments;
or
- C. It becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- D. The disappearance of an active market for that financial asset because of financial difficulties.

For loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

(c) Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 Financial Instruments (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. A Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(8) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(9)Inventories

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

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

Raw materials – By actual purchase cost with weighted average method.

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

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

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 and not within the scope of inventories.

(10)Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity's perspectives, and the Company recorded such adjustments by

crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorated basis.

When the associate issues new stock, and the Company's interest in an associate is reduced or increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 Investments in Associates and Joint Ventures (before January 1, 2018: IAS 39 Financial Instruments: Recognition and Measurement). If this is the case the Company

calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

(11) Property, plant and equipment

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

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

Buildings	10~40 years
Machinery and equipment	1~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Other equipment	1~9 years

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

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(12)Leases

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

(13)Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated

amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software	Technology expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(14) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for

an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash-generating unit, or Companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(15)Provisions

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

(16)Revenue Recognition

The accounting policy from January 1, 2018 as follow:

The Company's revenue arising from contracts with customers are primarily related to sale of goods. The accounting policies are explained as follow:

Sale of goods

The Company mainly manufactures and sells of its products. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Company is PCB and revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. During the period specified in the contract, refund liability is recognized for the products expected to be returned.

The credit period of the Company's sale of goods is from 60 to 150 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Company has transferred the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Company measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

The accounting policy before January 1, 2018 as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) The significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) Neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (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 entity; and
- (e) The costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

Dividends

Revenue is recognized when the Company's right to receive the payment is established.

(17)Borrowing costs

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

(18)Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(19) Income taxes

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

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

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

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

5. Significant accounting judgments, estimates and assumptions

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) The Fair Value of Financial Instruments

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

(b) Accounts receivables-estimation of impairment loss

Starting from January 1, 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that

expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company considers the estimation of future cash flows when there is objective evidence showed indications of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. However, as the impact from the discounting of short-term receivables is not material, the impairment of short-term receivables is measured as the difference between the asset's carrying amount and the estimated undiscounted future cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

(c) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the financial statements.

(d) Pension benefits

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

(e) Revenue Recognition-Sales retruns and allowance

Starting from January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. In assessing the

aforementioned sales returns and allowance, revenue is recognized to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Please refer to Note 6 for more details.

Before January 1, 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(f) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. Contents of significant accounts

(1) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	\$200	\$200
Checking and savings	102,966	140,820
Total	<u>\$103,166</u>	<u>\$141,020</u>

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Notes receivable, net

	2018.12.31	2017.12.31
Notes receivables arising from operating activities	\$2	\$8,716
Less: loss allowance	-	-
Total	<u>\$2</u>	<u>\$8,716</u>

Notes receivables were not pledged.

The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(3) Accounts receivable and Accounts receivable - related parties

(a) Accounts receivable, net consist of the follow:

	2018.12.31	2017.12.31
Accounts receivable from operating activities	\$1,490,167	\$1,227,072
Less: loss allowance	(13,683)	(13,683)
Less: sales returns and allowance	Note	(40,918)
Accounts receivable, net	<u>1,476,484</u>	<u>1,172,471</u>
Accounts receivable from related parties	15,819	202
Less: loss allowance	-	-
Accounts receivable from related parties, net	<u>15,819</u>	<u>202</u>
Total	<u>\$1,492,303</u>	<u>\$1,172,673</u>

Note: The Company has adopted IFRS 15 from January 1, 2018. The Company elected not to restate for period periods in accordance with the transition provision in IFRS 15.

- (b) The Company evaluated sales returns and allowance based on experiences and other known factors and recorded it as a reduction against sales at the time of recognizing revenue.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (c) The receivables are generally on 60 to 120 day terms. The Company adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
2017.01.01	\$-	\$13,683	\$13,683
Charge (reversal) for the current period	-	-	-
Write off	-	-	-
2017.12.31	\$-	\$13,683	\$13,683

- (d) Aging analysis of accounts receivable and accounts receivable - related parties that are past due as at the end of the reporting period but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	31~60 days	61~90 days	91~120 days	More than 121 days	
2017.12.31	\$1,091,940	\$70,190	\$10,543	\$-	\$-	\$-	\$1,172,673

- (e) Accounts receivable were not pledged.

(4) Inventories

- (a) Details of inventories are as below:

	2018.12.31	2017.12.31
Raw materials	\$15,452	\$35,688
Supplies & parts	4,347	1,723
Work in progress	86,066	104,609
Finished goods	123,422	111,190
Total	\$229,287	\$253,210

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- (b) The cost of inventories recognized in expenses amounts to NT\$4,188,400 thousand for the year ended December 31, 2018 while NT\$4,446,484 thousand for the year ended December 31, 2017. The following losses were included in cost of sales:

	2018	2017
Inventory valuation losses	\$33,095	\$19,715
Physical inventory losses	6,771	6,801
Total	\$39,866	\$26,516

- (c) Inventories were not pledged.

(5) Investments accounted for under the equity method

Investee companies	2018.12.31		2017.12.31	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
WINTEK (MAURITIUS) CO., LTD.	\$3,883,269	100.00%	\$4,207,309	100.00%
Dynamic PCB Electronics Co., Ltd.	2,011	100.00%	1,942	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	242,803	100.00%	287,092	100.00%
Dynamic Electronics Trading Pte. Ltd.	2,019	100.00%	1,889	100.00%
Minus: Unrealized Profit	(13,743)		(12,728)	
Total	\$4,116,359		\$4,485,504	

- (a) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

- (b) No investment accounted for under the equity method was pledged as collaterals.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Lease asset	Construction in progress and equipment to be examined	Total
Cost:									
2018.01.01	\$137,171	\$175,947	\$1,399,574	\$4,604	\$10,316	\$154,692	\$-	\$127,867	\$2,010,171
Additions	-	-	-	-	-	-	1,324	61,678	63,002
Disposals	-	-	(50,447)	(1,983)	(1,888)	(14,005)	-	-	(68,323)
Transfer	-	-	85,788	922	125	17,239	900	(104,974)	-
2018.12.31	<u>\$137,171</u>	<u>\$175,947</u>	<u>\$1,434,915</u>	<u>\$3,543</u>	<u>\$8,553</u>	<u>\$157,926</u>	<u>\$2,224</u>	<u>\$84,571</u>	<u>\$2,004,850</u>
									\$1,949,548
2017.01.01	\$137,171	\$172,707	\$1,420,503	\$4,604	\$10,041	\$164,679	\$-	\$39,843	
Additions	-	-	-	-	-	-	-	128,682	128,682
Disposals	-	-	(41,807)	-	-	(26,252)	-	-	(68,059)
Transfer	-	3,240	20,878	-	275	16,265	-	(40,658)	-
2017.12.31	<u>\$137,171</u>	<u>\$175,947</u>	<u>\$1,399,574</u>	<u>\$4,604</u>	<u>\$10,316</u>	<u>\$154,692</u>	<u>\$-</u>	<u>\$127,867</u>	<u>\$2,010,171</u>
Depreciation and impairment:									
2018.01.01	\$-	\$84,324	\$1,162,963	\$3,826	\$9,941	\$130,872	\$-	\$-	\$1,391,926
Depreciation	-	6,580	110,019	469	283	21,234	741	-	139,326
Disposals	-	-	(49,609)	(1,873)	(1,888)	(14,005)	-	-	(67,375)
Transfer	-	-	-	-	-	-	-	-	-
2018.12.31	<u>\$-</u>	<u>\$90,904</u>	<u>\$1,223,373</u>	<u>\$2,422</u>	<u>\$8,336</u>	<u>\$138,101</u>	<u>\$741</u>	<u>\$-</u>	<u>\$1,463,877</u>
									\$1,299,286
2017.01.01	\$-	\$77,793	\$1,075,428	\$3,069	\$9,017	\$133,979	\$-	\$-	
Depreciation	-	6,531	129,342	757	924	23,145	-	-	160,699
Disposals	-	-	(41,807)	-	-	(26,252)	-	-	(68,059)
Transfer	-	-	-	-	-	-	-	-	-
2017.12.31	<u>\$-</u>	<u>\$84,324</u>	<u>\$1,162,963</u>	<u>\$3,826</u>	<u>\$9,941</u>	<u>\$130,872</u>	<u>\$-</u>	<u>\$-</u>	<u>\$1,391,926</u>
Net carrying amount as at:									
2018.12.31	<u>\$137,171</u>	<u>\$85,043</u>	<u>\$211,542</u>	<u>\$1,121</u>	<u>\$217</u>	<u>\$19,825</u>	<u>\$1,483</u>	<u>\$84,571</u>	<u>\$540,973</u>
2017.12.31	<u>\$137,171</u>	<u>\$91,623</u>	<u>\$236,611</u>	<u>\$778</u>	<u>\$375</u>	<u>\$23,820</u>	<u>\$-</u>	<u>\$127,867</u>	<u>\$618,245</u>

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2018.01.01	\$23,631	\$750	\$24,381
Increase	303	-	303
Decrease	(6,196)	(750)	(6,946)
2018.12.31	<u>\$17,738</u>	<u>\$-</u>	<u>\$17,738</u>
2017.01.01	\$17,811	\$750	\$18,561
Increase	6,120	-	6,120
Decrease	(300)	-	(300)
2017.12.31	<u>\$23,631</u>	<u>\$750</u>	<u>\$24,381</u>
Amortization:			
2018.01.01	\$12,412	\$671	\$13,083
Amortization	6,142	79	6,221
Decrease	(6,196)	(750)	(6,946)
2018.12.31	<u>\$12,358</u>	<u>\$-</u>	<u>\$12,358</u>
2017.01.01	\$4,997	\$552	\$5,549
Amortization	7,715	119	7,834
Decrease	(300)	-	(300)
2017.12.31	<u>\$12,412</u>	<u>\$671</u>	<u>\$13,083</u>
Net carrying amount as at:			
2018.12.31	<u>\$5,380</u>	<u>\$-</u>	<u>\$5,380</u>
2017.12.31	<u>\$11,219</u>	<u>\$79</u>	<u>\$11,298</u>

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amortization of intangible assets is as follows:

	2018	2017
Operating costs	\$2,404	\$2,444
Operating expenses	3,817	5,390
Total	<u>\$6,221</u>	<u>\$7,834</u>

(8) Other non-current assets

	2018.12.31	2017.12.31
Refundable deposits	<u>\$2,882</u>	<u>\$2,147</u>

(9) Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates (%)	2018.12.31	2017.12.31
Unsecured bank loans	1.35%~4.03%	<u>\$913,793</u>	<u>\$643,440</u>

(b) The Company's unused short-term lines of credits amounts to NT\$493,558 thousand and NT\$922,905 thousand as of December 31, 2018 and 2017, respectively.

(10) Other payables

Other payables consist of the following:	2018.12.31	2017.12.31
Accrued expenses	\$163,051	\$181,725
Accrued interest payable	1,868	939
Payables to equipment suppliers	22,289	14,205
Total	<u>\$187,208</u>	<u>\$196,869</u>

(11) Long-term loans

(a) Details of long-term loans as of December 31, 2018 and 2017 are as follows:

Lenders	2018.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
JihSun Bank — Taoyuan Branch— Secured bank loans (Note1)	\$249,067	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$3,462 thousand and last repayment NT\$6,741, within 7 years with a grace period of 6 months.
JihSun Bank — Taoyuan Branch— Secured bank loans (Note1)	297,733	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$4,138 thousand and last repayment NT\$8,059, within 7 years with a grace period of 6 months.
Total	546,800		
Less: Current portion of long-term loans	(91,200)		
Non-current portion of long-term loans	\$455,600		

Lenders	2017.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
JihSun Bank — Taoyuan Branch— Secured bank loans (Note1)	\$273,300	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$3,462 thousand and last repayment NT\$6,741, within 7 years with a grace period of 6 months.
JihSun Bank — Taoyuan Branch— Secured bank loans (Note1)	326,700	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$4,138 thousand and last repayment NT\$8,059, within 7 years with a grace period of 6 months.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total	600,000
Less: Current portion of long-term loans	(53,200)
Total	<u>\$546,800</u>

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Interest Rates (%)	1.75%	1.75%

(b)The Company entered into an agreement of syndicated loans in credit line of USD50,000 thousand with E.Sun Bank, Mega International Commercial Bank and 7 other banks on March 17, 2017. According to the agreement, the Company's liquidity ratio, debt ratio and interest expenditure coverage derived from annual consolidated financial statements should meet certain criteria.

In the event that the Company's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in 9 months after the end of the fiscal year. The improvement documentation proposed by the Company shall also be reviewed by certified public accountants. During the period of improvement, (1) the unused credit line of underlying loan agreement shall be suspended from further usage until the Company's financial ratio meet the required criteria. ; (2) the interest shall be increased by 0.15% from the immediate interest payment date as notified by the managing bank to the interest payment date immediately after the issue has been improved. The borrower's right to utilize the credit line shall be suspended and punished in accordance with related covenants in the agreement immediately when the managing banks discover any breach of loan contract.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Finance lease commitments

The Company has finance leases for certain machinery. These leases contain purchase options. Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2018.12.31		2017.12.31	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Not later than one year	\$456	\$441	\$-	\$-
Later than one year and not later than five years	456	451	-	-
Total minimum lease payments	912	892	-	-
Less: finance charges on finance lease	(20)	-	-	-
Present value of minimum lease payments	\$892	\$892	\$-	\$-
Current	\$441	\$441	\$-	\$-
Non-current	451	451	-	-

(13) Refund liability

	2018.12.31	2017.12.31 (Note)
Refund liability	\$41,457	

Note: The Company adopted IFRS 15 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 15.

(14) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the

employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 amounted to NT\$18,169 thousand and NT\$17,383 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Company amounted to NT\$216 thousand both for the years ended December 31, 2018 and 2017.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no

disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19.

As of December 31, 2018 and 2017, the maturities of the Company's defined benefit plan were expected in 2026 and 2027.

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	2018	2017
Current period service costs	\$-	\$869
Interest income or expense	(561)	(541)
Past service cost	7,831	1,127
Payments from the plan	-	-
Total	\$7,270	\$1,455

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2018.12.31	2017.12.31	2017.01.01
Defined benefit obligation	\$42,040	\$38,477	\$49,663
Plan assets at fair value	(77,256)	(78,826)	(85,750)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	\$(35,216)	\$(40,349)	\$(36,087)

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2017.01.01	\$49,663	\$85,750	\$(36,087)
Current period service costs	869	-	869
Net interest expense (income)	745	1,286	(541)
Past service cost and gains and losses arising from settlements	1,127	-	1,127
Subtotal	2,741	1,286	1,455
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	776	-	776

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Actuarial gains and losses arising from changes in financial assumptions	305	-	305
Experience adjustments	(6,065)	-	(6,065)
Return on plan assett assets	-	(404)	404
Subtotal	(4,984)	(404)	(4,580)
Payments from the plan	(8,943)	(8,943)	-
Contributions by employer	-	1,137	(1,137)
Effect of changes in foreign exchange rate	-	-	-
2017.12.31	38,477	78,826	(40,349)
Current period service costs	-	-	-
Net interest expense (income)	535	1,096	(561)
Past service cost and gains and losses arising from settlements	7,831	-	7,831
Subtotal	8,366	1,096	7,270
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	35	-	35
Actuarial gains and losses arising from changes in financial assumptions	1,323	-	1,323
Experience adjustments	(1,211)	-	(1,211)
Return on plan assets	-	2,284	(2,284)
Subtotal	147	2,284	(2,137)
Payments from the plan	(4,950)	(4,950)	-
Contributions by employer	-	-	-
Effect of changes in foreign exchange rate	-	-	-
2018.12.31	\$42,040	\$77,256	\$(35,216)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	0.86%	1.39%
Expected rate of salary increases	1.00%	1.00%

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A sensitivity analysis for significant assumption is shown as below:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	\$-	\$(1,258)	\$-	\$(1,918)
Discount rate decreased by 0.5%	1,619	-	2,182	-
Expected salary level increased by 0.5%	1,602	-	2,179	-
Expected salary level decreased by 0.5%	-	(1,262)	-	(1,934)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(15) Equities

(a) Common stock

As of December 31, 2018 and 2017, the Company's authorized capital and issued capital were NT\$4,000,000 thousand and NT\$2,810,594 thousand, respectively, each share at par value of NT\$10, divided into 281,059,335 shares.

(b) Capital surplus

	2018.12.31	2017.12.31
Additional paid-in capital	\$989,014	\$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249

Share options	19,710	19,710
Total	<u>\$1,061,873</u>	<u>\$1,061,873</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

(1) Earning distribution

The Company's shareholders' meeting held on May 27, 2016 passed the resolution of amending the Articles of Incorporation, according to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

- (3) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital.

The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

- (4) Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT\$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2018 and 2017, special reserve set aside for the first-time adoption of T-IFRS reduced to NT\$299,666 thousand accordingly.

- (5) There was no earnings distribution for the years ended December 31, 2018 and 2017.

Please refer to Note 6(19) for details on employees' compensation and remuneration to directors and supervisors.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(16) Operating revenues

	For the year ended December 31,	
	2018 (Note)	2017
Revenue from contracts with customers		
Sale of goods	\$4,254,645	\$4,620,391
Other revenue	61,564	-
Total	<u>\$4,316,209</u>	<u>\$4,620,391</u>

Note: The Company has adopted IFRS 15 since January 1, 2018. The Company elected to recognize the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

The Company has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

Disaggregation of revenue

	PCB
Sale of goods	\$4,254,645
Other	61,564
Total	<u>\$4,316,209</u>

The timing for revenue recognition:

At a point in time	<u>\$4,316,209</u>
--------------------	--------------------

(17) Expected credit losses/ (gains)

	For the year ended December 31,	
	2018	2017 (Note)
Operating expenses – Expected credit losses/(gains)		
Account receivables	<u>\$-</u>	

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 12 for more details on credit risk.

The Company measures the loss allowance of its trade receivables (including notes receivable and accounts receivable) at an amount equal to lifetime expected credit losses. The assessment of the Company's loss allowance as of December 31, 2018 is as follow:

A. The Company considers the grouping of trade receivables by counter parties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follow:

	Not yet due	Past due					Total
	(Note)	<=30 days	31-60 days	61-90 days	91-120 days	>=120 days	
Gross carrying amount	\$1,417,889	\$58,597	\$5,263	\$2,224	\$429	\$5,767	\$1,490,169
Loss ratio	-%	-%	100%	100%	100%	100%	
Lifetime expected credit losses	-	-	(5,263)	(2,224)	(429)	(5,767)	(13,683)
Carrying amount of trade receivables	\$1,417,889	\$58,597	\$-	\$-	\$-	\$5,767	\$1,476,486

Note: all the Company's notes receivable were not past due.

B. The movement in the provision for impairment of notes receivable and accounts receivable for the year ended December 31, 2018 is as follows:

	Notes receivable	Accounts receivable
Beginning balance (in accordance with IAS 39)	\$-	\$(13,683)
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	-	-
Addition / (reversal) for the current period	-	-
Effect of exchange rate changes	-	-
Ending balance	\$-	\$(13,683)

(18) Operating leases – The Company as a lessee

The Company has entered into commercial leases on certain motor vehicles and items of land and buildings. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2018 and 2017 are as follows:

	2018.12.31	2017.12.31
Within one year	\$1,771	\$354
Above one year to five years	2,026	-
Total	<u>\$3,797</u>	<u>\$354</u>

Operating lease expenses recognized are as follows:

	2018	2017
Minimum lease payments	<u>\$11,870</u>	<u>\$11,098</u>

(19) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2018 and 2017 is as follows:

	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$237,235	\$197,215	\$334,450	\$251,062	\$103,108	\$354,170
Labor and health insurance	36,338	5,472	41,810	35,124	5,443	40,567
Pension	20,835	4,820	25,655	12,516	6,538	19,054
Directors' remuneration	-	1,665	1,665	-	1,920	1,920
Other employee benefits expense	106,968	330	107,298	98,606	836	99,442
Depreciation	136,413	2,913	139,326	155,493	5,206	160,699
Amortization	2,404	3,817	6,221	2,444	5,390	7,834

Note: The headcounts of the Company amounted to 693 and 703, respectively, as of December 31, 2018 and 2017. Among the Company's directors, there were 4 who were not the employees.

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution,

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2018 and 2017, the Company incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

(20)Non-operating income and expenses

(a)Other income

	2018	2017
Interest income	Note	\$292
Financial assets measured at amortized cost		
Interest income	\$3,920	Note
Other income — others	23,159	32,926
Total	\$27,079	\$33,218

Note: The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(b)Other gains and losses

	2018	2017
Gain (loss) on disposal of property, plant and equipment	\$2,614	\$2,046
Foreign exchange gains (losses), net	15,274	(15,290)
Gain on disposal of investments	-	8,202
Others losses-others	(3,380)	(13,985)
Total	\$14,508	\$(19,027)

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Finance costs

	2018	2017
Interest on borrowings from bank	\$27,097	\$20,261

(21) Components of other comprehensive income (loss)

For the year ended December 31, 2018

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$2,137	\$-	\$2,137	\$-	\$2,137
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(45,661)	-	(45,661)	6,140	(39,521)
Total	<u>\$(43,524)</u>	<u>\$-</u>	<u>\$(43,524)</u>	<u>\$6,140</u>	<u>\$(37,384)</u>

For the year ended December 31, 2017

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$4,580	\$-	\$4,580	\$-	\$4,580
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(96,985)	-	(96,985)	16,487	(80,498)
Total	<u>\$(92,405)</u>	<u>\$-</u>	<u>\$(92,405)</u>	<u>\$16,487</u>	<u>\$(75,918)</u>

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(22)Income tax

(a)Based on an amendment to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate changes from 17% to 20% and the surtax rate on undistributed earnings from 10% to 5% effective the year of 2018.

(b)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	2018	2017
Current income tax expense (income):		
Current income tax charge	\$-	\$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	(44,478)	-
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	6,727	-
Total income tax expense (income)	<u>\$(37,751)</u>	<u>\$-</u>

Income tax relating to components of other comprehensive income

	2018	2017
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	<u>\$(6,140)</u>	<u>\$(16,487)</u>

(c)A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2018	2017
Accounting profit (loss) before tax from continuing operations	<u>\$(278,636)</u>	<u>\$9,094</u>
Tax payable at the enacted tax rates	\$(55,727)	\$1,546
(The tax rates are 20% and 17% for the years ended December 31, 2018 and 2017, respectively.)		
Tax effect of expenses not deductible for tax purposes	32	4
Tax effect of deferred tax assets/liabilities	17,944	(1,550)
Total income tax expense (income) recognized in profit or loss	<u>\$(37,751)</u>	<u>\$-</u>

(d)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2018

	Beginning balance as of January 1, 2018	Deferred tax income (expense) recognized in profit or loss	Effect of tax rate change	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2018
Temporary differences					
Unrealized loss on inventory valuation	\$2,899	\$1,259	\$512	\$-	\$4,670
Loss on inventory written-off and obsolescence	337	1,816	60	-	2,213
Investments accounted for using the equity method	(252,786)	22,324	(41,618)	6,140	(265,940)
Over 2 years payables	73	-	13	-	86
Gain on disposal of property, plant and equipment	2,164	203	382	-	2,749
Unrealized exchange loss (gain)	355	(430)	63	-	(12)
Sales returns and allowances	6,956	108	1,227	-	8,291
Commission expense	8,514	3,806	1,502	-	13,822
Bad debt expense	294	(346)	52	-	-
Unused tax losses	174,530	15,738	30,800	-	221,068
Employee benefits	1,584	-	280	-	1,864
Deferred tax income/ (expense)		<u>\$44,478</u>	<u>\$(6,727)</u>	<u>\$6,140</u>	
Net deferred tax assets/(liabilities)	<u>\$(55,080)</u>				<u>\$(11,189)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$197,706</u>				<u>\$254,763</u>
Deferred tax liabilities	<u>\$(252,786)</u>				<u>\$(265,952)</u>

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2017
Temporary differences				
Unrealized loss on inventory valuation	\$2,651	\$248	\$-	\$2,899
Loss on inventory written-off and obsolescence	2,609	(2,272)	-	337
Investments accounted for using the equity method	(226,881)	(42,392)	16,487	(252,786)
Over 2 years payables	73	-	-	73
Gain on disposal of property, plant and equipment	2,505	(341)	-	2,164
Unrealized exchange loss (gain)	(40)	395	-	355
Sales returns and allowances	8,469	(1,513)	-	6,956
Commission expense	17,248	(8,734)	-	8,514
Bad debt expense	-	294	-	294
Unused tax losses	120,215	54,315	-	174,530
Employee benefits	1,584	-	-	1,584
Deferred tax income/ (expense)		\$-	\$16,487	
Net deferred tax assets/(liabilities)	<u>\$(71,567)</u>			<u>\$(55,080)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$155,354</u>			<u>\$197,706</u>
Deferred tax liabilities	<u>\$(226,921)</u>			<u>\$(252,786)</u>

(e) Unrecognized deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets that have not been recognized amounts to NT\$13,918 thousand and NT\$21,806 thousand, respectively.

(f) The following table contains information of the net operating loss of the Company:

Year incurred	Net operating loss	Expiration year
2013	\$357,540	2023
2014	224,933	2024

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2015	82,157	2025
2016	138,185	2026
2017	231,182	2027
2018(estimated)	134,785	2028
Total	<u>\$1,168,782</u>	

(g) The assessment of income tax returns

As of December 31, 2018, the tax assessments on the Company's tax filings have been approved up to the year of 2016.

(23) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2018	2017
(a) Basic earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$(240,885)</u>	<u>\$9,094</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	<u>281,059</u>	<u>281,059</u>
Basic earnings (loss) per share (in NT\$)	<u>\$(0.86)</u>	<u>\$0.03</u>
(b) Diluted earnings per share		
Profit (loss) attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$(240,885)</u>	<u>\$9,094</u>
Profit (loss) attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	<u>\$(240,885)</u>	<u>\$9,094</u>

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	281,059	281,059
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	281,059	281,059
Diluted earnings (loss) per share (in NT\$)	\$(0.86)	\$0.03

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

(1) Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Dynamic PCB Electronics Co., Ltd.	Subsidiary
Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary
Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary
Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary
Dynamic Electronics Holding Pte. Ltd.	Subsidiary
HONG LAN ELECTRONICS CO., LTD.	Other related party

(2) Significant transactions with related parties

(a) Purchases

	2018	2017
Dynamic PCB Electronics Co., Ltd.	\$2,469,661	\$2,632,587
Subsidiaries	-	233
Total	\$2,469,661	\$2,632,820

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) The Company recognized operating revenue of processing performed for subsidiaries amounted to NT\$23,125 thousand and NT\$17,775 thousand for the years ended December 31, 2018 and 2017, respectively.

(c) For the year ended December 31, 2018, the Company recognized other operating revenue, due to procurement on behalf of subsidiaries in amount of NT\$2,269 thousand.

For the year ended December 31, 2017, the Company recognized operating revenue, other income and operating expenses due to procurement on behalf of subsidiaries in amount of NT\$6,010 thousand, NT\$100 thousand and NT\$(324) thousand, respectively.

(d) The Company recognized operating expenses for services provided by other related parties of NT\$1,420 thousand and NT\$1,899 thousand for the years ended December 31, 2018 and 2017, respectively.

(e) Transaction of assets

Type of Assets	Related Parties	Book Value	Selling price	Gain (Note)	Price reference
<u>2018</u>					
	Subsidiary	\$-	\$3,358	\$3,358 (Note)	Negotiated

2017

None.

Note: The gains were recorded as unrealized profits.

(f) Accounts receivable-related parties

	2018.12.31	2017.12.31
Dynamic Electronics (Kunshan) Co., Ltd.	\$15,819	\$202
Less: loss allowance	-	-
Total	\$15,819	\$202

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(g) Other receivables from related parties

	2018.12.31	2017.12.31
Dynamic Electronics (Kunshan) Co., Ltd.	\$3,654	\$-
Dynamic Electronics (Huangshi) Co., Ltd.	2,150	282
Dynamic Electronics Holding Pte. Ltd.	1,040	578
	<u>\$6,844</u>	<u>\$860</u>

(h) Accounts payable to related parties

	2018.12.31	2017.12.31
Dynamic PCB Electronics Co., Ltd.	<u>\$667,480</u>	<u>\$737,236</u>

(i) Other payable to related parties

	2018.12.31	2017.12.31
Other related parties	\$-	\$47
Subsidiaries	-	4,010
Total	<u>\$-</u>	<u>\$4,057</u>

(j) Loan to related parties

Other receivables	The highest balance (Dr)	Balance at year end (Dr)	Interest rate	Total interest for the year
<u>2018</u>				
Subsidiaries	\$153,325	<u>\$-</u>	3.05%-3.65%	<u>\$3,397</u>

2017

None.

Other payables	The highest balance (Cr)	Balance at year end (Cr)	Interest rate	Total interest for the year
<u>2018</u>				
None.				

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2017

Subsidiaries	\$60,740	\$-	3.38%-3.6%	\$759
--------------	----------	-----	------------	-------

(k) As of December 31, 2018 and 2017, the Company provided endorsement/guarantee to its subsidiaries in total of NT\$1,039,555 thousand and NT\$742,570 thousand, respectively.

(l) Key management personnel compensation

	2018	2017
Short-term employee benefits	\$31,983	\$29,797
Post-employment benefits	939	794
Total	\$32,922	\$30,591

8. Assets pledged as collateral

Assets	Book value		Purpose of pledge
	2018.12.31	2017.12.31	
Property, plant and equipment – land	\$137,171	\$137,171	Secured loans
Property, plant and equipment – buildings	85,043	91,623	Secured loans
Total	\$222,214	\$228,794	

9. Significant contingencies and unrecognized contract commitments

(a) As of December 31, 2018, the Company's outstanding contracts relating to purchase of property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid	Amount unpaid
Machinery	\$85,724	\$64,135	\$21,589

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

None.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

11. Significant subsequent events

None.

12. Others

(1) Categories of financial instruments

Financial assets

	2018.12.31	2017.12.31
Financial assets measured at amortized cost (Note 2)	\$1,611,212	(Note 1)
Loans and receivables (Note 3)	(Note 1)	\$1,337,573
Total	<u>\$1,611,212</u>	<u>\$1,337,573</u>

Financial liabilities

	2018.12.31	2017.12.31
Financial liabilities at amortized cost:		
Short-term loans	\$913,793	\$643,440
Payables	1,109,647	1,256,191
Lease payable (including current portion)	892	-
Long-term loans (including current portion)	546,800	600,000
Total	<u>\$2,571,132</u>	<u>\$2,499,631</u>

Note:

(1) The Company adopted IFRS 9 since January 1, 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(2) The item includes cash and cash equivalents, notes receivable, accounts receivable and other receivables.

(3) The item includes cash and cash equivalents, notes receivable, accounts receivable and other receivables.

(2) Financial risk management objectives and policies

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

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

(3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

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

Foreign currency risk

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

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

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2018 and 2017 is decreased/increased by NT\$5,232 thousand and NT\$2,385 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2018 and 2017 to decrease/increase by NT\$1,358 thousand and NT\$1,105 thousand, respectively.

Equity price risk

As of December 31, 2018 and 2017, the Company does not hold equity securities at fair value; therefore the Company is not subject to equity price risk.

(4) Credit risk management

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

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018 and 2017 accounts receivable from top ten customers represent 65.50% and 64.30% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks and other financial instruments is managed by the Company's finance division in accordance with the Company's policy. The counterparties that

the Company transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions with investment-grade credit ratings. Consequently, there is no significant credit risk for these counter parties.

The Company adopted IFRS 9 to assess the expected credit losses since January 1, 2018. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

(5)Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings and finance leases. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial liabilities

	< 1 year	2 to 3 years	4 to 5 years	> 5 years	Total
2018.12.31					
Loans	\$1,018,087	\$196,750	\$190,366	\$92,389	\$1,497,592
Payables	1,109,647	-	-	-	1,109,647
Lease payable	456	456	-	-	912
2017.12.31					
Loans	\$708,650	\$199,942	\$193,558	\$186,774	\$1,288,924
Payables	1,256,191	-	-	-	1,256,191

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Reconciliation of liabilities arising from financing activities

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

	Short-term loans	Long-term loans	Lease payable	Total liabilities from financing activities
As of January 1, 2018	\$643,440	\$600,000	\$-	\$1,243,440
Cash flows	270,353	(53,200)	892	218,045
As of December 31, 2018	\$913,793	\$546,800	\$892	\$1,461,485

Reconciliation schedule of liabilities for the year ended December 31, 2017:

Not applicable

(7) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

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

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).

- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Company.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. And the Company does not have assets or liabilities that are measured at fair value on a recurring basis.

Transfers between Level 1 and Level 2 during the period

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

(9) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	<u>2018.12.31</u>			<u>2017.12.31</u>		
	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>	<u>Foreign currencies</u>	<u>Foreign exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$51,481</u>	30.715	<u>\$1,581,226</u>	<u>\$43,796</u>	29.76	<u>\$1,303,372</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$34,446</u>	30.715	<u>\$1,058,022</u>	<u>\$35,780</u>	29.76	<u>\$1,064,878</u>

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with

significant impact. The Company recognized exchange gain (loss) amounted to NT\$15,274 thousand and NT\$(15,290) thousand for the years ended December 31, 2018 and 2017, respectively.

(10) Capital management

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

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

- a. Financing provided to others for the year ended December 31, 2018: Please refer to Attachment 1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2018: Please refer to Attachment 2.
- c. Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint ventures): None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2018: Please refer to Attachment 3.

h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2018: None.

i. Financial instruments and derivative transactions: None.

(2) Information on investees :

A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.

B. An investor controls operating, investing and financial decisions of an investee. The related information for the investee shall be disclosed Note13(1) as below:

(a) Financing provided to others for the year ended December 31, 2018: Please refer to Attachment 1.

(b) Endorsement/Guarantee provided to others for the year ended December 31, 2018: None.

(c) Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint ventures): None.

(d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: None.

(e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: Please refer to Attachment 5.

(f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2018: None.

(g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2018: Please refer to Attachment 6.

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2018: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

- a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018	Accumulated Outflow of Investment from Taiwan as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	\$2,457,200 (Note 2, 3, 6)	(Note 1)	\$2,260,265	\$-	\$-	\$2,260,265	\$(156,550) (Note 2)	100%	\$(156,550) (Note 2, 4, 5)	\$2,264,138 (Note 2, 4, 5)	\$1,852,299 (Note 2)	\$2,260,265	\$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	\$1,472,477 (Note 2, 7, 8)	(Note 9)	\$444,530	\$-	\$-	\$444,530	\$(54,479) (Note 2)	100%	\$(54,479) (Note 2, 4, 10)	\$1,224,019 (Note 2, 4, 10)	\$-	\$444,530	\$444,530	

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 1: Investment in Mainland China through companies in the third area established Dynamic Electronics (Kunshan) Co. Ltd.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investmants remitted from Taiwan in amount of USD69,500 thousand and the received paid-in capital of USD80,000 thousand was a result of a capital injection of USD10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD14,000 thousand remitted from Taiwan and the paid-in capital of USD47,940 thousand is a capital injection of USD33,940 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD47,940 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment loss of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

b. Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Dynamic PCB Electronics Co., Ltd.	\$2,469,661	76.82%	\$667,480	72.36%

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property:

Type of Assets	Name of Related Parties	Book Value	Selling price	Gain	Price reference
<u>2018</u>					
Machinery	Dynamic Electronics (Kunshan) Co., Ltd.	\$-	\$3,358	\$3,358 (Note)	Negotiated

Note: The gain was recorded as unrealized profit.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 2.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 1.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service:

The Company recognized operating revenue of processing performed for Dynamic Electronics (Kunshan) Co., Ltd. amounting to NT\$23,125 thousand for the year of 2018. As of December 31, 2018, accounts receivable amounted to NT\$15,819 thousand.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2018, the Company recognized other operating revenue due to procurement on behalf of and Dynamic Electronics (Huangshi) Co., Ltd. in amount of NT\$2,269 thousand. As of December 31, 2018, other receivables amounted to NT\$2,150 thousand.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese
DYNAMIC ELECTRONICS CO., LTD.
Financing provided to others
For the year ended December 31, 2018

Attachment I

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Loss Allowance	Collateral		Limit of financing amount for individual counter- party	Limit of total financing amount
													Item	Value		
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$153,325	\$-	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$3,929,500 (Note 3)	\$3,929,500 (Note 3)
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$409,440	\$222,350	\$-	4.35%	2	\$-	Business turnover	\$-	-	\$-	\$1,598,483 (Note 4)	\$1,598,483 (Note 4)
2	WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$1,485,500	\$1,379,925	\$1,379,925	4.5%-4.68%	2	\$-	Business turnover	\$-	-	\$-	\$2,334,411 (Note 5)	\$2,334,411 (Note 5)
3	Dynamic Electronics CO., LTD. (Seychelles)	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$154,525	\$153,325	\$153,325	3.8451%-4.3256%	2	\$-	Business turnover	\$-	-	\$-	\$242,802 (Note 6)	\$242,802 (Note 6)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1. Need for operating is coded "1".
2. Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 100% of the lender's net assets of value as of December 31, 2018.

Limit of financing amount for individual counter-party shall not exceed 100% of the lender's net assets value as of December 31, 2018.

Note 4: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2018.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2018.

Note 5: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2018.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2018.

Note 6: Limit of total financing amount shall not exceed the lender's net assets of value as of December 31, 2018.

Limit of financing amount for individual counter-party shall not exceed the lender's net assets value as of December 31, 2018.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2018

Attachment 2

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note 2)										
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Huangshi) Co., Ltd.	2	\$3,929,500	\$273,630	\$272,930	\$259,736	\$-	6.95%	\$3,929,500	Y	N	Y
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	\$3,929,500	\$154,525	\$153,325	\$-	\$-	3.90%	\$3,929,500	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	2	\$3,929,500	\$618,100	\$613,300	\$490,640	\$-	15.61%	\$3,929,500	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note2 : The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

- 1.The company with business contacts.
- 2.The company directly and indirectly holds more than 50% of the shares with voting rights.
- 3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.
- 4.The company directly and indirectly holds more than 90% of the shares with voting rights.
- 5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.
- 6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.
- 7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2018

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	\$2,469,661	76.82%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable \$667,480	72.36%	

DYNAMIC ELECTRONICS CO., LTD.

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2018

Attachment 4

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2018			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2018	As of December 31, 2017	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	The business of PCB	\$2,716,696	\$2,716,696	8,350,000	100.00%	\$3,883,269	\$(265,501)	\$(274,814)	
										(Note 1)	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,555	\$1,555	50,000	100.00%	\$2,011	\$7	\$7	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,556 (Note 3)	\$224,005	50,000	100.00%	\$242,803	\$163,123	\$163,123	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	\$1,541	\$1,541	50,000	100.00%	\$2,019	\$68	\$68	
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	\$1,492,524	\$945,490	47,940,002	100.00%	USD 39,779	USD (1,791)	USD (1,896)	
										(Note 2)	

Note1: Including investment loss recognized under equity method amounted to NT\$265,501 thousand, realized loss on transaction between subsidiaries amounted to NT\$1,897 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$7,416 thousand.

Note2: Including investment loss recognized under equity method amounted to USD1,791 thousand, realized loss on transaction between subsidiaries amounted to USD76 thousand and unrealized profit on transaction between subsidiaries amounted to USD29 thousand.

Note3: The Company's original investment in Dynamic Electronics Co., Ltd. (Seychelles) is USD7,200 thousand (NT\$224,005thousand), Dynamic Electronics Co., Ltd. (Seychelles) reduced capital by cash in amount of USD7,150 thousand (NT\$222,449 thousand) in January 2018.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Acquisition of Individual Real Estate with Amount exceeding the lower of NT\$300 Million or 20% of Capital Stock

For the Year ended December 31, 2018

Attachment 5

(In Thousands of Foreign Currency)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co. Ltd.	Buildings Construction of Huangshi Plant	2016.06.20	RMB 167,568	RMB 143,416 thousand was paid as of December 31, 2018.	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2018

Attachment 6

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,765,411	82.29%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 473,828	71.77%	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 334,615	30.61%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 73,606	16.64%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 334,615	67.44%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 73,606	58.72%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	USD 23,395	8.08%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 7,290	9.55%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	Sales	USD 207,709	71.73%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 54,590	71.53%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 81,878	28.27%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 21,731	28.47%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 266,192	91.92%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 69,031	90.45%	
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 157,897	31.82%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 120 days after monthly closing.	Accounts receivable RMB 50,034	39.91%	
Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 207,709	96.85%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 54,590	96.54%	

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Receivables from Related Parties with Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

As of December 31, 2018

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 473,828 (Note1)	4.03	\$-	-	\$-	\$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	USD 21,731 (Note1)	3.52	\$-	-	\$-	\$-
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	Subsidiary	USD 54,590 (Note1)	4.54	\$-	-	\$-	\$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	RMB 50,034 (Note1)	3.79	\$-	-	\$-	\$-
Dynamic Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	RMB 73,606 (Note1)	7.06	\$-	-	\$-	\$-

Note1: Accounts receivable.

DYNAMIC ELECTRONICS CO., LTD.
1.STATEMENT OF CASH AND CASH EQUIVALENT
AS OF DECEMBER 31, 2018

(All the currencies are denominated in Thousands of New Taiwan Dollars, EUR, and USD unless otherwise specified)

Item	Description	Amount	Note
Cash on hand :		\$200	Exchange Rate
			USD : NTD=30.7150 : 1
			EUR : NTD=35.20 : 1
Checking and savings accounts :			
Mega International Commercial Bank — Taoyuan Branch	Foreign Currency	7,453	USD 243
Mega International Commercial Bank — Taoyuan Branch	Saving Account	8,206	
Mega International Commercial Bank — Taoyuan Branch	Checking account	457	
E.SUN Bank — Taoyuan Branch	Saving Account	8,133	
E.SUN Bank — Taoyuan Branch	Foreign Currency	34,689	USD 1,129
E.SUN Bank — Taoyuan Branch	Foreign Currency	243	EUR 7
Chunghwa Post Co., Ltd	Saving Account	5,603	
Taishin International Bank—Head Office & Business Department	Saving Account	481	
Taishin International Bank—Head Office & Business Department	Checking account	39	
Taishin International Bank—Head Office & Business Department	Foreign Currency	2	
Yuanta Bank — Nanxun Branch	Saving Account	2,814	
Yuanta Bank — Nanxun Branch	Foreign Currency	2,671	USD 87
Chang Hwa Bank—Taoyuan Branch	Saving Account	318	
Chang Hwa Bank—Taoyuan Branch	Foreign Currency	724	USD 24
Panhsin Bank—Taoyuan Branch	Saving Account	171	
Panhsin Bank—Taoyuan Branch	Foreign Currency	493	USD 16
KGI Bank — Arts Branch	Foreign Currency	872	USD 28
KGI Bank — Arts Branch	Saving Account	691	
Yuanta Bank—Business Department	Saving Account	66	
JihSun Bank — Taoyuan Branch	Saving Account	885	
JihSun Bank — Taoyuan Branch	Foreign Currency	6	
Shanghai Commercial & Saving Bank, Ltd. — Chungli Branch	Saving Account	532	
Shanghai Commercial & Saving Bank, Ltd. — Chungli Branch	Foreign Currency	2,036	USD 66
Fubon Bank — Taoyuan Branch	Saving Account	5,790	
Fubon Bank — Taoyuan Branch	Foreign Currency	3,118	USD 102
Hua Nan Bank—Pei Taoyuan Branch	Saving Account	526	
Hua Nan Bank—Pei Taoyuan Branch	Foreign Currency	591	USD 19
Shin Kong Bank — Taoyuan Branch	Saving Account	348	
Shin Kong Bank — Taoyuan Branch	Foreign Currency	532	USD 17
CTBC Bank — Taoyuan Branch	Foreign Currency	10,930	USD 356
Taichung Commercial Bank—Taoyuan Branch	Saving Account	96	
Taichung Commercial Bank—Taoyuan Branch	Foreign Currency	2,920	USD 95
Far Eastern International Bank	Saving Account	516	
Far Eastern International Bank	Foreign Currency	14	
Subtotal		102,966	
Total		\$103,166	

DYNAMIC ELECTRONICS CO., LTD.

2.STATEMENT OF NOTES RECEIVABLE, NET

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Client Name	Amount	Note
Forever Star Electronics CO., LTD.	\$2	1.Non related parties.
Less : loss allowance	-	2.Notes receivable were not pledged.
Net	<u>\$2</u>	

DYNAMIC ELECTRONICS CO., LTD.
3.STATEMENT OF ACCOUNTS RECEIVABLE, NET
AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Client Name	Amount	Note
LG DISPLAY CO.,LTD.	\$158,176	1.The amount of individual client included in others does not exceed 5% of the account balance.
Continental Automotive Systems, Inc.	131,656	
Pegatron Corporation	89,730	2.Accounts receivable were not pledged.
Guangzhou Dongdo Electronics Co., Ltd.	81,273	
Regent Electron (Suzhou) CO., LTD.	78,968	
Ningbo Yonfu Trade CO., LTD.	76,255	
Others	874,109	
Subtotal	1,490,167	
Less : loss allowance	(13,683)	
Net	<u>\$1,476,484</u>	

DYNAMIC ELECTRONICS CO., LTD.

4.STATEMENT OF RECEIVABLES FROM RELATED PARTIES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Related Parties	Amount	Note
Dynamic Electronics (Kunshan) Co., Ltd.	<u>\$15,819</u>	

DYNAMIC ELECTRONICS CO., LTD.

5.STATEMENT OF OTHER RECEIVABLES, NET

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Vat Refund	\$6,656	
Others	<u>2,441</u>	
Subtotal	9,097	
Less : loss allowance	<u>-</u>	
Net	<u><u>\$9,097</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

6.STATEMENT OF OTHER RECEIVABLES FROM RELATED PARTIES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Related Parties	Amount	Note
DYNAMIC ELECTRONICS HOLDING PTE. LTD.	\$1,040	Mainly from payment on behalf of others.
Dynamic Electronics (Huangshi) Co., Ltd.	2,150	Mainly from procurement on behalf of others.
Dynamic Electronics (Kunshan) Co., Ltd.	3,654	Mainly from sale of assets and procurement on behalf of others.
Total	<u>\$6,844</u>	

DYNAMIC ELECTRONICS CO., LTD.

7.STATEMENT OF INVENTORIES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount		Note
	Cost	Net Realizable Value	
Raw materials	\$17,948	\$15,605	1.Inventories are valued at lower of cost or net realizable value item by item.
Supplies & parts	4,402	4,444	
Work in progress	98,531	116,261	
Finished goods	131,755	154,711	2.The insurance coverage for inventories was \$240,221 thousand dollars as of December 31, 2018.
Subtotal	252,636	\$291,021	
Less: allowance for inventory valuation losses	(23,349)		3.Inventories were not pledged.
Net	\$229,287		

DYNAMIC ELECTRONICS CO., LTD.

8.STATEMENT OF PREPAYMENTS

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Prepaid Insurance	\$6,654	
Prepaid Rents	141	
Prepaid Pension Cost	35,216	
Others	<u>7,766</u>	
Total	<u><u>\$49,777</u></u>	

AS OF DECEMBER 31, 2018

Item	Amount	Note
Temporary payments	\$11,310	
Others	<u>27</u>	
Total	<u><u>\$11,337</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

10.STATEMENT OF CHANGES IN INVESTMENT ACCOUNTED FOR UNDER THE EQUITY METHOD

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Investee companies	As of January 1, 2018		Additions		Decrease		As of December 31, 2018			Fair Value/Net assets value		Collateral	Note
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	%	Amount	Unit price (NTD)	Total amount		
WINTEK (MAURITIUS) CO., LTD.	8,350,000	\$4,207,309	-	\$-	-	\$(324,040) (Note1)	8,350,000	100.00%	\$3,883,269	\$46.60	\$3,890,685	None	
Dynamic PCB Electronics Co.,Ltd.	50,000	1,942	-	69 (Note2)	-	-	50,000	100.00%	2,011	\$40.22	2,011	None	
Dynamic Electronics Co., Ltd	-	287,092	-	-	-	(44,289) (Note3)	-	100.00%	242,803	\$4,856.06	242,803	None	
DYNAMIC ELECTRONICS TRADING PTE. LTD.	-	1,889	-	130 (Note4)	-	-	-	100.00%	2,019	\$40.40	2,019	None	
Unrealized Profit		(12,728)		-		(1,015)			(13,743)				
Total		<u>\$4,485,504</u>		<u>\$199</u>		<u>\$(369,344)</u>			<u>\$4,116,359</u>		<u>\$4,137,518</u>		

Note1: Including investment loss recognized amounted to NT\$(265,501) thousand, realized loss on transaction between subsidiaries amounted to NT\$(1,897) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(7,416) thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$(49,226) thousand.

Note2: Including investment gain recognized amounted to NT\$7 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$62 thousand.

Note3: Including proceeds from capital reduction of investments amounted to NT\$(210,853) thousand and investment gain recognized amounted to NT\$163,123 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$3,441 thousand.

Note4: Including investment gain recognized amounted to NT\$68 thousand and exchange differences resulting from translating the financial statements of a foreign operation amounted to NT\$62 thousand.

AS OF DECEMBER 31, 2018

Item	Amount	Note
Refundable deposits	<u>\$2,882</u>	Rental deposits.

DYNAMIC ELECTRONICS CO., LTD.
12.STATEMENT OF SHORT-TERM LOANS
AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Type	Description	Balance, End of Year	Contract Period	Interest Rates	Loan Commitments	Collateral	Note
Unsecured loans	Hua Nan Commerccial Bank —Pei Taoyuan Branch	\$50,000	2018/07/19-2019/01/18	1.3905%	Total \$100,000	None	
Unsecured loans	Hua Nan Commerccial Bank —Pei Taoyuan Branch	46,073	2018/12/26-2019/03/26	3.6500%	Total \$100,000	None	
Unsecured loans	Shanghai Commercial&Savings Bank,Ltd — Chungli Branch	46,073	2018/12/24-2019/03/22	3.8216%	\$90,000	None	
Unsecured loans	E.SUN Bank— Taoyuan Branch	47,000	2018/07/03-2019/01/03	1.3500%	Total \$200,000	None	
Unsecured loans	E.SUN Bank— Taoyuan Branch	50,000	2018/07/26-2019/01/03	1.3500%	Total \$200,000	None	
Unsecured loans	Chang Hwa Bank— Taoyuan Branch	60,000	2018/12/17-2019/03/15	1.4000%-1.5000%	Total \$150,000	None	
Unsecured loans	Chang Hwa Bank— Taoyuan Branch	20,000	2018/10/12-2019/01/10	1.4000%-1.5000%	Total \$150,000	None	
Unsecured loans	KGI Bank— Art Branch	46,072	2018/11/21-2019/02/15	3.9596%-3.9925%	Total \$150,000	None	
Unsecured loans	KGI Bank— Art Branch	92,145	2018/11/23-2019/04/23	3.9596%-3.9925%	Total \$150,000	None	
Unsecured loans	Fubon Bank— Taoyuan Branch	61,430	2018/12/07-2019/02/07	4.0300%	Total \$120,000	None	
Unsecured loans	Fubon Bank— Taoyuan Branch	55,000	2018/11/08-2019/02/06	1.3500%	Total \$120,000	None	
Unsecured loans	Far Eastern International Bank	40,000	2018/12/14-2019/01/08	1.6000%	\$100,000	None	
Unsecured loans	Yuanta Bank— Nankan Branch	200,000	2018/11/09-2019/01/21	1.3500%-1.4500%	Total \$300,000	None	
Unsecured loans	Yuanta Bank— Nankan Branch	50,000	2018/11/27-2019/02/25	1.3500%-1.4500%	Total \$300,000	None	
Unsecured loans	Yuanta Bank— Nankan Branch	50,000	2018/10/9-2019/01/07	1.3500%-1.4500%	Total \$300,000	None	
Total		<u>\$913,793</u>					

DYNAMIC ELECTRONICS CO., LTD.

13.STATEMENT OF ACCOUNTS PAYABLE

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Vendor Name	Amount	Note
Yuan I Technologies Corp.	\$22,410	1.The amount of individual vendor included in others does not exceed 5% of the account balance.
Elite Material CO., LTD.	34,479	
Cosmos-Well Corp.	13,761	
Others	<u>184,309</u>	2.Non related parties.
Total	<u><u>\$254,959</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

14.STATEMENT OF ACCOUNTS PAYABLE TO RELATED PARTIES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Related Parties	Amount	Note
Dynamic PCB Electronics Co., Ltd.	<u>\$667,480</u>	Purchase of goods.

DYNAMIC ELECTRONICS CO., LTD.

15.STATEMENT OF OTHER PAYABLES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Accrued Commission Expenses	\$69,110	
Accrued Payroll	52,895	
Payables On Equipment	22,289	
Accrued Insurance	8,195	
Accrued Shipping Expenses	979	
Accrued Pension Expenses	1,687	
Accrued Professional Service Fees	3,485	
Accrued Employee Benefits	1,766	
Accrued Interest payable	1,868	
Others	<u>24,934</u>	
Total	<u><u>\$187,208</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

16.STATEMENT OF OTHER CURRENT LIABILITIES

AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Temporary Receipts	\$9,600	
Receipts Under Custody	3,131	
Dividend Payable	<u>39</u>	
Total	<u><u>\$12,770</u></u>	

DYNAMIC ELECTRONICS CO., LTD.
17.STATEMENT OF LONG-TERM LOANS
AS OF DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Lenders	Description	Amount	Contract Period	Interest Rates	Collateral	Note
JihSun Bank— Taoyuan Branch	Secured bank loans	\$249,067	2017.11.10~2024.11.10	The interest rate shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	Please refer to Note 8	
JihSun Bank— Taoyuan Branch	Secured bank loans	297,733	2017.12.04~2024.11.10	The interest rate shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	Please refer to Note 8	
Total		546,800				
Less: Current portion of long-term loans		(91,200)				
Non-current portion of long-term loans		\$455,600				

DYNAMIC ELECTRONICS CO., LTD.

18.STATEMENT OF CHANGES IN NET DEFINED BENEFIT LIABILITY

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
As of January 1, 2018	\$1,143	
Add : Pension costs	7,270	
Pension cost for executives	216	
Prepaid Pension Cost, end of year	35,216	
Remeasurements of defined benefit plans	(2,137)	
Less : Prepaid Pension Cost, beginning of year	(40,349)	
As of December 31, 2018	<u>\$1,359</u>	

DYNAMIC ELECTRONICS CO., LTD.

19.STATEMENT OF OPERATING REVENUES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Square Feet	Amount	Note
Sale of goods			
2 Layers	4,263,392	\$994,131	
4 Layers	3,586,696	1,244,904	
6 Layers	831,814	388,145	
8 Layers and above	1,224,133	746,627	
Others		942,402	
Operating Revenues		<u>\$4,316,209</u>	

DYNAMIC ELECTRONICS CO., LTD.
20.STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Direct Materials		
Beginning of year	\$40,177	
Add : Raw materials purchased	505,751	
Less : End of year	(17,948)	
Transferred to manufacturing overhead and operating expenses	(970)	
Scraped	(7,106)	
Shortage	(51)	
Sales	(10,755)	
Direct Materials used	<u>509,098</u>	
Supplies and parts		
Beginning of year	1,781	
Add : Supplies and parts purchased	180,593	
Less : End of year	(4,402)	
Shortage	(6,291)	
Transferred to manufacturing overhead and operating expenses	(34,048)	
Supplies and Parts used	<u>137,633</u>	
Direct labor	235,226	
Manufacturing overhead(Please refer to attachment 21)	<u>785,403</u>	
Manufacturing cost	1,667,360	
Add : Work in process, beginning of year	112,057	
Less : Work in process, end of year	(98,531)	
Cost of finished goods	1,680,886	
Add : Finished goods, beginning of year	116,247	
Finished goods purchased	2,528,600	
Less : Finished goods, end of year	(131,755)	
Transferred to manufacturing overhead and operating expenses	(4,926)	
Scrapped	(19,693)	
Shortage	(429)	
Cost of goods sold at normal production level	<u>4,168,930</u>	
Cost of raw materials sold directly	10,755	
Loss from inventory valuation	33,095	
Other costs-export freight	17,927	
Other costs	2,093	
Shortage	6,771	
Manufacturer chargeback	(20,694)	
Revenue from sale of scraps	<u>(30,477)</u>	
Total	<u><u>\$4,188,400</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

21.STATEMENT OF MANUFACTURING OVERHEAD

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Indirect labor	\$123,666	
Rent expense	8,581	
Shipping expense	6,649	
Postage expense	3,012	
Repair and maintenance expense	57,613	
Packing expense	4,575	
Utilities expense	116,733	
Insurance expense	39,783	
Manufacturing overhead -- outsourced	124,677	
Taxes	1,563	
Depreciation	136,413	
Amortization	2,404	
Meal expense	6,144	
Employee benefits	18,621	
Entertainment expense	4,106	
Others	<u>130,863</u>	
Total	<u><u>\$785,403</u></u>	

DYNAMIC ELECTRONICS CO., LTD.

22.STATEMENT OF SALES AND MARKETING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Payroll expense	\$17,096	
Rent expense	983	
Travelling expense	2,795	
Postage expense	374	
Insurance expense	2,097	
Entertainment expense	7,713	
Meal expenses	125	
Employee benefits	372	
Commission expense	125,125	
Others	12,431	
Total	<u>\$169,111</u>	

DYNAMIC ELECTRONICS CO., LTD.

23.STATEMENT OF GENERAL AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Payroll expense	\$86,363	
Rent expense	2,307	
Travelling expense	3,940	
Postage expense	1,010	
Insurance expense	6,969	
Entertainment expense	4,184	
Depreciation	2,913	
Amortization	3,817	
Meal expenses	439	
Employee benefits	2,469	
Professional service fees	11,388	
Others	13,705	
Total	<u>\$139,504</u>	

DYNAMIC ELECTRONICS CO., LTD.

24.STATEMENT OF RESEARCH AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands Of New Taiwan Dollars)

Item	Amount	Note
Travelling expense	\$479	
Meal expenses	9	
Postage expense	24	
Insurance expense	58	
Employee benefits	28	
Others	106	
Total	<u>\$704</u>	

DYNAMIC ELECTRONICS CO., LTD.

25.STATEMENT OF NON-OPERATING INCOME AND EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousand Of New Taiwan Dollars)

Item	Description	Amount	Note
Other income			
	Interest income	\$3,920	
	Other income — others	23,159	
Total		<u>\$27,079</u>	
Other gains and losses			
	Foreign exchange gain, net	\$15,274	
	Gain on disposal of property, plant and equipment	2,614	
	Other losses — others	<u>(3,380)</u>	
Total		<u>\$14,508</u>	
Finance costs			
	Interest on borrowings from bank	<u>\$(27,097)</u>	
Share of profit or loss of subsidiaries, associates and joint ventures	Loss on investment	<u>\$(111,616)</u>	