Stock Code:4979

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No. 6, Hejiang Road, Zhongli, Taoyuan
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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of LuxNet Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, LuxNet Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: LuxNet Corporation
Chairman: Duen-Chian Cheng
Date: March 19, 2019

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Independent Auditors' Report

To the Board of Directors of LuxNet Corporation:

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

In our professional judgments, the key audit matters to be communicated in the independent auditors' report are listed below:

1. Evaluation of inventories

   Please refer to note 4(h) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(c) for details on inventories.

   Description of key audit matter:

   The Group' s inventories are measured at the lower of cost and net realizable value. Since economic environment changes rapidly, new products and techniques may have an influence on market demands, which could result in the cost of inventories to be higher than the net realizable value. Therefore, evaluation of inventories is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: understanding the policies of evaluating the inventories and assessing whether existing inventory policies are applied; understanding the difference in allowance provided on inventory valuation between estimated amounts and real amounts; understanding the sales price which the management adopted, and sampling the inventories sold in the subsequent period to assess whether the allowance for inventories are reasonable.

2. Impairment assessment of non-financial assets

Please refer to note 4(m) for accounting policy, note 5 for assumptions and estimation uncertainty, and note 6(f) for details on non-financial assets.

Description of key audit matter:

The Group is involved in a high capital expenditure industry, wherein, purchasing a certain volume of facilities is required. In this period, the price of products constantly drops due to decline in market demands. Therefore, the assessment of impairment for non-financial assets is important. The assessment for impairment included identifying the Cash Generating Unit (CGU), deciding the model for evaluating, establishing significant assumption, and calculating the recoverable amount; all of which depend on the management's subjective judgment. Therefore, impairment assessment on non-financial assets is one of the key audit matters for our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: evaluating the CGU, and external and internal impairment indications identified by the management, and ensuring all assets which needed annual impairment test are covered in the assessment made by the management; acquiring the valuation report from external experts engaged by the management; and understanding whether any significant matters occured after the reporting date that may have an impact on the impairment test.

Other Matter

LuxNet Corporation has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including Audit Committee) are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Mei-Pin Wu and Yung-Hua Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 19, 2019

Notes to Readers

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017	
	Assets	Amount	%	Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 361,682	16	301,625	10
1170	Notes and account receivable, net (note 6(b))	232,035	10	380,643	13
130X	Inventories, net (note 6(c))	330,012	14	745,375	25
1410	Prepaid expenses	3,616	-	6,757	-
1470	Other current assets	24,562	1	35,576	1
		951,907	41	1,469,976	49
	Non-current assets:				
1550	Investments accounted for using equity method, net (note 6(d))	40,374	2	-	-
1600	Property, plant and equipment (notes 6(f) and 8)	1,271,009	55	1,442,474	49
1780	Intangible assets	3,644	-	6,384	-
1900	Other non-current assets (notes 6(m) & (x) and 8)	50,655	2	48,961	2
		1,365,682	59	1,497,819	51
	Total assets	$ 2,317,589	100	2,967,795	100

		December 31, 2018		December 31, 2017	
	Liabilities and Equity	Amount	%	Amount	%
	Current liabilities:				
2100	Short-term borrowings (note 6(h))	$ 200,000	9	620,000	21
2130	Current contract liabilities	49,579	2	-	-
2170	Notes and accounts payable	167,439	7	277,451	9
2200	Accrued expenses and other payables	72,249	3	82,500	3
2313	Unearned revenue (note 6(e))	40,631	2	-	-
2321	Bonds payable, current portion (note 6(j))	2,600	-	2,555	-
2322	Long-term borrowings, current portion (notes 6(i) and 8)	31,395	2	291,332	10
2300	Other current liabilities	3,995	-	3,439	-
		567,888	25	1,277,277	43
	Non-Current liabilities:				
2530	Bonds payable (note 6(j))	286,328	12	-	-
2540	Long-term borrowings (notes 6(i) and 8)	320,000	14	198,668	7
2600	Other non-current liabilities (notes 6(j), (l) & (m))	6,312	-	5,100	-
		612,640	26	203,768	7
	Total liabilities	1,180,528	51	1,481,045	50
	Equity attributable to owners of parent:				
3100	Ordinary shares (notes 6(n) & (o))	1,028,973	44	909,716	31
3200	Capital surplus (notes 6(j) & (n))	805,912	35	801,515	27
3310	Legal reserve (note 6(n))	-	-	120,889	4
3350	Accumulated deficit (note 6(n))	(692,355)	(30)	(341,377)	(12)
3400	Other equity interest (note 6(o))	(5,469)	-	(3,993)	-
	Total equity	1,137,061	49	1,486,750	50
	Total liabilities and equity	$ 2,317,589	100	2,967,795	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenues (notes 6(q) & (r) and 7)**	$ 1,525,075	100	1,666,793	100
5000	**Operating costs (notes 6(c), (k), (l) & (o), 7 and 12)**	1,971,962	129	1,894,555	114
	Gross loss	(446,887)	(29)	(227,762)	(14)
	Operating expenses (notes 6(b), (k), (l) & (o), 7 and 12):				
6100	Selling expenses	24,297	1	88,390	5
6200	Administrative expenses	131,129	9	136,419	8
6300	Research and development expenses	106,500	7	132,027	8
6450	Expected credit loss (gain)	(15,147)	(1)	-	-
		246,779	16	356,836	21
	Net operating loss	(693,666)	(45)	(584,598)	(35)
	Non-operating income and expenses:				
7020	Other gains and losses, net (notes 6(e), (g), (j), (t) & (u) and 7)	23,033	2	(40,920)	(3)
7050	Finance costs (note 6(j))	(13,869)	(1)	(22,461)	(1)
7070	Share of loss of associates accounted for using equity method (note 6(d))	(10,732)	(1)	-	-
7100	Interest revenue	634	-	1,721	-
		(934)	-	(61,660)	(4)
7900	**Loss before income tax**	(694,600)	(45)	(646,258)	(39)
7950	Less: income tax expenses (note 6(m))	417	-	12,568	1
	Loss	(695,017)	(45)	(658,826)	(40)
8300	**Other comprehensive income (loss):**				
8310	**Items that may not be reclassified subsequently to profit or loss:**				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(l))	(290)	-	2,905	-
8349	Income tax expense related to items that may not be relassified subsequently to profit or loss	-	-	-	-
		(290)	-	2,905	-
8360	**Items that may be reclassified subsequently to profit or loss:**				
8361	Exchange differences on translation of foreign operation's financial statements	(693)	-	(1,025)	-
8399	Income tax expense related to items that may be reclassified subsequently to profit or loss	(21)	-	174	-
		(714)	-	(851)	-
8300	**Other comprehensive income (loss), net**	(1,004)	-	2,054	-
8500	**Comprehensive income (loss)**	$ (696,021)	(45)	(656,772)	(40)
	Earnings per share (note 6(p))				
9750	**Basic earnings per share (NT dollars)**	$	(6.95)		(8.05)

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Total other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings (Accumulated deficit)	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unearned employee compensation	Total equity
Balance at January 1, 2017	$ 738,577	460,559	120,889	314,405	435,294	(734)	-	(10,680)	1,623,016
Loss for the year ended December 31, 2017	-	-	-	(658,826)	(658,826)	-	-	-	(658,826)
Other comprehensive income for the year ended December 31, 2017	-	-	-	2,905	2,905	(851)	-	-	2,054
Total comprehensive income for the year ended December 31, 2017	-	-	-	(655,921)	(655,921)	(851)	-	-	(656,772)
Issuance of ordinary shares	170,000	340,000	-	-	-	-	-	-	510,000
Issuance of restricted stock	2,080	4,378	-	-	-	-	-	(2,298)	4,160
Amortization of restricted stock	-	-	-	-	-	-	-	7,873	7,873
Retirement of restricted stock	(941)	(3,422)	-	139	139	-	-	2,697	(1,527)
Balance at December 31, 2017	909,716	801,515	120,889	(341,377)	(220,488)	(1,585)	-	(2,408)	1,486,750
Effects of retrospective application	-	-	-	2,951	2,951	-	(2,951)	-	-
Balance at January 1, 2018 after adjustments	909,716	801,515	120,889	(338,426)	(217,537)	(1,585)	(2,951)	(2,408)	1,486,750
Loss for the year ended December 31, 2018	-	-	-	(695,017)	(695,017)	-	-	-	(695,017)
Other comprehensive income for the year ended December 31, 2018	-	-	-	(290)	(290)	(714)	-	-	(1,004)
Total comprehensive income for the year ended December 31, 2018	-	-	-	(695,307)	(695,307)	(714)	-	-	(696,021)
Legal reserve used to offset accumulated deficits	-	-	(120,889)	120,889	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	(220,489)	-	220,489	220,489	-	-	-	-
Issuance of ordinary shares	119,500	211,500	-	-	-	-	-	-	331,000
Issuance of convertible bonds	-	14,183	-	-	-	-	-	-	14,183
Conversion of convertiable bonds to ordinary shares	267	493	-	-	-	-	-	-	760
Amortization of restricted stock	-	-	-	-	-	-	-	1,409	1,409
Retirement of restricted stock	(510)	(1,290)	-	-	-	-	-	780	(1,020)
Balance at December 31, 2018	$ 1,028,973	805,912	-	(692,355)	(692,355)	(2,299)	(2,951)	(219)	1,137,061

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)

LUXNET CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from (used in) operating activities:			
Loss before tax	$	(694,600)	(646,258)
Adjustments:			
Adjustments to reconcile profit (loss):			
Depreciation and amortization expense		208,669	234,849
Expected credit gain / Provision for bad debt expense		(15,147)	62,298
Losses on inventory valuation and obsolete inventories		229,415	8,674
Losses on disposal of inventories		130,786	96,122
Losses on redemption of bonds		-	4,273
Impairment loss		16,941	-
Compensation cost of share-based payments		1,409	7,873
Losses on financial liabilities at fair value through profit or loss		1,376	3,684
Share of loss of associates accounted for using equity method		10,732	-
Losses on disposal of property, plant and equipment		16,680	21
Gains on disposal of investments		(40,631)	-
Interest expense		13,869	22,461
Interest revenue		(634)	(1,721)
Total adjustments to reconcile profit (loss)		573,465	438,534
Changes in operating assets and liabilities:			
Notes and accounts receivable		163,415	(35,763)
Inventories		55,349	(66,720)
Prepaid and other current assets		5,484	3,027
Total changes in operating assets		224,248	(99,456)
Notes and accounts payable		(108,932)	24,903
Contract liabilities		49,579	-
Accrued expenses and other payables		(8,894)	(10,770)
Other operating liabilities		(616)	(6,593)
Total changes in operating liabilities		(68,863)	7,540
Total changes in operating assets and liabilities		155,385	(91,916)
Total adjustments		728,850	346,618
Cash inflow (outflow) generated from operations		34,250	(299,640)
Interest received		635	1,722
Interest paid		(9,695)	(8,160)
Income taxes paid		-	(1)
Net cash flows from (used in) operating activities		25,190	(306,079)
Cash flows from (used in) investing activities:			
Acquisition of property, plant and equipment		(44,541)	(95,543)
Proceeds from disposal of property, plant and equipment		25,323	72
Net cash flows from loss control of subsidiary		(1,758)	-
Increase in prepayments for equipments		(7,615)	(19,356)
Acquisition of other non-current assets		(28,154)	(13,686)
Net cash flows used in investing activities		(56,745)	(128,513)
Cash flows from (used in) financing activities:			
Increase in short-term borrowings		(398,687)	264,000
Increase in long-term borrowings		(138,605)	240,000
Issuance of restricted stock		-	4,160
Proceeds from issuance of ordinary shares		331,000	510,000
Proceeds from issuance of convertible bonds		300,000	-
Cost of redemption of bonds		-	(805,394)
Other		(1,020)	(15,527)
Net cash flows from financing activities		92,688	197,239
Effect of exchange rate changes on cash and cash equivalents		(1,076)	(193)
Net increase (decrease) in cash and cash equivalents		60,057	(237,546)
Cash and cash equivalents at beginning of period		301,625	539,171
Cash and cash equivalents at end of period	$	361,682	301,625

See accompanying notes to consolidated financial statements.

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

LuxNet Corporation ("the Company") was incorporated on November 15, 2001, and registered under the Ministry of Economic Affairs, ROC. The address of the Company's registered office is No. 6, Hejiang Road, Zhongli, Taoyuan.

The major business activities of the Company and subsidiaries (together referred to as "the Group") were the manufacturing, processing and sale of electronic components and active components for optical communication and the retail sale of electronic materials. Please refer to note 14 for further information.

The Company's common shares were listed on the Taipei Exchange ("TPEx") on December 12, 2011.

(2) Approval date and procedures of the consolidated financial statements:

These consolidated financial statements were authorized for issuance by the board of directors on March 19, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by Financial Supervisory Commission, R.O.C. ("FSC") and are effective for annual periods beginning on or after January 1, 2018. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018

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LUXNET CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework by five steps for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Group applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The following tables summarize the impacts of adopting IFRS15 on the Group' s consolidated financial statements:

	December 31, 2018			January 1, 2018		
Impacted line items on the consolidated balance sheet	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balances prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Current contract liabilities	$ -	49,579	49,579	-	-	-
Advance receipts	49,579	(49,579)	-	-	-	-
Impact on liabilities		-			-	

(Continued)

LUXNET CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Impacted line items on the consolidated statement of cash flows		For the year ended December 31, 2018 Before adjustments	Impact of changes in accounting polices	After adjustments
Cash flows from (used in) operating activities:				
Loss before tax	$	(694,600)	-	(694,600)
Adjustments:				
Current contract liabilities		-	49,579	49,579
Advance receipts		49,579	(49,579)	-
Impact on net cash flows from operating activities			-	

(ii) IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group' s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any material impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

  – The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  – The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Financial Assets				
Cash and cash equivalents	Loans and receivables	301,625	Amortized cost	301,625
Equity instruments	Available-for-sale (note 1)	-	FVOCI	-
Receivables, net	Loans and receivables	380,714	Amortized cost	380,714

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Note1: These equity securities (including financial assets measured at cost) represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Accordingly, a decrease of $2,951 in the other equity interests, as well as the increase of $2,951 in retained earnings were recognized on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Fair value through other comprehensive income						
Beginning balance of available for sale (including measured at cost) (IAS 39)	$ -	-	-		-	-
Available for sale to FVOCI	-	-	-		2,951	(2,951)
Total	$ -	-	-	-	2,951	(2,951)

(b) The impact of the International Financial Reporting Standards endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16"Leases"

IFRS 16 replaces the existing leases guidance, including 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".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group choses to elect the following practical expedient:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

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- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the Group evaluates that the adoption of the above standards would not have any material impact.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of the International Financial Reporting Standards issued by the International Accounting Standards Board but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 "Definition of Material"	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated annual financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (" the Regulations") and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the FSC ("the IFRSs endorsed by the FSC").

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments at fair value through profit or loss (including derivative financial instruments) are measured at fair value;

2) Fair value through other comprehensive income (Available-for-sale financial assets) are measured at fair value;

3) The net defined benefit liabilities (or assets) are recognized as plan assets, less, the present value of the defined benefit obligation and the effect of asset ceiling described in (note 4(o)).

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Profit or loss applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(Continued)

Accounting policies of its subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the Group' s share of net assets before and after the change and any consideration received or paid are adjusted to equity attributable to stockholders of the Company.

(ii) Loss control of subsidiaries

When the Group loses control of a subsidiary, it shall derecognize assets (including goodwill), liabilities and non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost; and shall remeasure the investment retained in the former subsidiary at its fair value at the date when control is lost. The gain or loss arising from derecognition is the difference between: (1) the total amounts of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost; and (2) the total amounts of the assets (including goodwill), liabilities and non-controlling interests of the subsidiary at their carrying amounts at the date when control is lost.

If there is one or more of the following indicators, the multiple arrangements should be accounted for as a single transaction and gains are recognized in proportion to completion of transaction:

1) The multiple arrangements are entered into at the same time or in contemplation of each other.

2) The multiple arrangements form a single transaction designed to achieve an overall commercial effect.

3) The occurrence of one arrangement is dependent on the occurrence of at least one other arrangement.

4) One arrangement considered on its own is not economically justified, but it is economically justified when considered together with other arrangements.

(iii) List of subsidiaries in the consolidated financial statements

The details of the subsidiaries included in the consolidated financial statements are as follows:

			Percentage of shareholding	
Name of investor	**Name of subsidiary**	**Principal activities**	**December 31, 2018**	**December 31, 2017**
The Company	Toplight Corporation (Toplight)	Holding company	100 %	100 %
Toplight	Toptrans Corporation Limited (Toptrans)	Holding company	100 %	100 %
Toptrans	Toptrans (Suzhou) Corporation Limited (Toptrans Suzhou)	Electronic components manufacturing	(Note 1)	100 %

(Continued)

Note 1: Toptrans Suzhou had a cash capital increase in June 2018. However, the Group did not subscribe for additional shares, which resulted in a decrease in the Group's ownership interest from 100% to 24.94% of Toptrans Suzhou and lost the control. Therefore, the Group transferred Toptrans Suzhou from a subsidiary to associate.

(d) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising on retranslation are recognized in profit or loss except for the differences relating to FVOCI (available-for-sale) equity investment, financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective and qualifying cash flow hedge to the extent the hedge is effective, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to be realized in the foreseeable future, foreign currency gains and losses, arising thereon, form part of the net investment in the foreign operation and are recognized in other comprehensive income, and presented in the exchange differences on translation of foreign financial statement in equity.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

(i) It expects to realize the asset or intends to sell or consume it in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) 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, or there are other restrictions.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand and savings accounts. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and will mature within a short period so that interest rate fluctuations have little effect on their values. Time deposits meet the aforementioned definition and are used for the purpose of meeting short-term commitments are included in cash equivalents.

(g) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through other comprehensive income (FVOCI).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(Continued)

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex dividend date.

3) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- Bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

Loss allowance for accounts receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 4 months past due.

The Group considers a financial asset to be in default when the financial asset is more than 12 months past due or the borrower is unlikely to pay its credit obligations to the Group in full.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 12 months past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

(Continued)

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

The Group classifies financial assets into the following categories: financial assets measured at cost, and loans and receivables.

1) Available-for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, interest revenue calculated by the effective interest method, dividend income, and foreign currency gain or loss on monetary items, are recognized in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in non-operating income and expenses. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at amortized cost, and are included in financial assets measured at cost.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Such dividend income is included in other income under non-operating income and expenses.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables and other receivables. Such assets are recognized initially at fair value, plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade-date accounting.

3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversible in subsequent periods.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for trade receivables, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of a receivable written off is recorded in the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before impairment was recognized at the reversal date.

Impairment losses recognized on an available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

Impairment losses and recoveries of accounts receivable are recognized in operating expense; impairment losses and recoveries of other financial assets are recognized in non-operating income and expense.

4) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity – unrealized gains or losses on available-for-sale financial assets is recognized in profit or loss, and it is included in non-operating income and expenses.

The Group separates the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder when the number of shares to be issued is fixed.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest related to the financial liability is recognized in profit or loss, and is included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. The Group designates all other financial liabilities as at fair value through profit or loss at initial recognition under one of the following situations:

a) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring the assets or liabilities or recognizing the gains and losses on them on a different basis;

b) Performance of the financial liabilities is evaluated on a fair value basis;

c) A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and are included in non-operating income and expenses.

(Continued)

3) Other financial liabilities

Financial liabilities not classified or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs under non-operating income and expense.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in other gains and losses under non-operating income and expenses.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses under non-operating income and expenses. When the fair value of a derivative instrument is positive, it is classified as a financial asset; when the fair value is negative, it is classified as a financial liability.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group' s share of the profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align their accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses equals or exceeds its interest in an associate, the recognition of further losses is discontinued except to the extent that the Group has a legal or constructive obligation or has made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

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 shall be depreciated separately unless its useful life and depreciation method are the same as those of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds and the carrying amount of the item, and it shall be recognized in profit or loss at a net amount under non-operating income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(Continued)

(iii) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount, and the depreciable amount shall be allocated on a systematic basis over the asset's useful life. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Buildings: 10~50 years

2) Machinery: 3 ~10 years

3) Leasehold improvements: 10 years

4) Other equipment: 3 ~ 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

(k) Lease

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Operating leases are not recognized is the Group's balance sheet.

Payments made under operating lease (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight-line basis over the term of the lease. Revenue from lease incentives received are recognized as reductions of lease expenses on a straight-line basis.

(l) Intangible assets

(i) Research & development

During the research phase, activities are carried out to obtain and understand new scientific or technical knowledge. Expenditures during this phase are recognized in profit or loss as incurred.

Expenditures arising from the development phase shall be recognized as an intangible asset if all the conditions described below can be demonstrated; otherwise, they will be recognized in profit or loss as incurred.

1) The technical feasibility of the intangible asset is accomplished so that it will be available for use or sale.

2) The intention to complete the intangible asset and use or sell it.

3) The ability to use or sell the intangible asset.

(Continued)

4) The intangible asset will generate probable future economic benefits.

5) The availability of adequate technical, financial, and other resources to complete the development and to use or sell the intangible asset.

6) The ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

The capitalized expenditures arising from the development phase are measured at cost, less accumulated amortization and any accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset, less its residual value. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets as follows:

1) Patents 3 years

2) Computer software 3~5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

(m) Impairment – non-financial assets

Non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash generating unit.

The recoverable amount for an individual asset or a cash generating unit is the higher of its fair value, less costs to sell and its value in use. When evaluating value in use, the discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or cash generating unit. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is accounted for as an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

(Continued)

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an individual asset or a cash-generating unit shall be reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount but should not exceed the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

(n) Revenue recognition

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Shipping terms of export sales are mainly FOB shipping point, and transfer occurs upon loading the goods onto the carrier at the port; for domestic sales, transfer usually occurs when the product is received at the customer's warehouse.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group' s net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group' s obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest), and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income and recognized in retained earnings in a subsequent period.

The Group recognizes gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets and any change in the present value of the defined benefit obligation.

(Continued)

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Share-based payment

The grant-date fair value of share-based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions, and there is no true-up for differences between the expected and the actual outcomes.

The grant-date of the Group is the record date of capital injection approved in the board meeting.

(q) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

(i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

(Continued)

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

1) Levied by the same taxing authority; or

2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit that will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(r) Earnings per share

The Group discloses the basic and diluted earnings per share attributable to ordinary stockholders of the Company. The basic earnings per share are calculated as the profit attributable to the ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding. The diluted earnings per share are calculated as the profit attributable to ordinary stockholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee restricted stock and convertible bonds.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the consolidated financial statements in conformity with the regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

There are no critical judgments made in applying accounting policies that have significant effect on amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6(c) for further description of the valuation of inventories.

(b) Impairment of property, plant and equipment

In the process of evaluating the potential impairment of tangible assets, the Group makes subjective judgments on the recoverable amount of cash generating unit based on the opinion of external experts. Any changes in these estimates caused by the changes in economic conditions or model for evaluating could result in significant impairment charges or reversal in future years.

The accounting policies and disclosures of the Group include measuring the financial and nonfinancial assets and liabilities at fair value. The Group has established an internal control frame work with respect to the measurement of fair value, which includes organizing the Company's financial instrument valuation group (the valuation group) to review all material measurment by using the fair value (such as level 3 fair value) and to submit the report to the Chief Financial Officer (CFO). The valuation group regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure the fair value, then the valuation group shall assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRSs, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identified assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

(Continued)

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date.

please refer to note 6 (u) for assumptions used in measuring fair value.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 100	474
Demand deposits	361,582	301,151
Cash and cash equivalents in consolidated statements of cash flows	$ **361,682**	**301,625**

Please refer to note 6(u) for the interest rate risk and the fair value sensitivity analysis of the financial assets and liabilities of the Group.

(b) Notes and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable	$ 99	14
Accounts receivable	285,538	449,378
Less: allowance for impairment	(53,602)	(68,749)
	$ **232,035**	**380,643**

(i) The Group applies the simplified approach to provide for its ECL, the use of lifetime ECL provision for all notes and accounts receivables, on December 31, 2018. To measure the ECL, notes and accounts receivable have been grouped based on shared credit risk characteristics and customer' s ability to pay all the amounts due based on the terms of the contract as well as incorporated forward looking information. The ECL allowance provision analysis as of December 31, 2018 was as follows:

	Carrying amount of notes and accounts receivable	Lifetime weighted-average ECL rate	Loss allowance provision of lifetime ECL
Current	$ 229,701	0.01%	25
Overdue 1 to 120 days	2,359	0.01%	-
Overdue 121 to 365 days	-	30.00%	-
More than 365 days past due	53,577	100.00%	53,577
	$ **285,637**		**53,602**

(ii) As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Overdue 1 to 120 days	$ 29,793

The movement in the allowance for notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1, 2018 and 2017 per IAS 39	68,749	-	6,451
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	68,749		
Impairment losses recognized (reversed)	(15,147)	-	62,298
Balance on December 31, 2018 and 2017	$ 53,602	-	68,749

For the impairment loss recognized in 2017, $64,004 was due to the Group's evaluation of the recoverability of the account receivable of one of its clients who happened to be in financial difficulty.

(iii) The Group did not provide any of the aforementioned financial assets as collateral.

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials	$ 95,934	194,019
Work in process	74,441	171,677
Finished goods	159,637	379,679
	$ 330,012	745,375

For the years ended December 31, 2018 and 2017, the Group recognized the following items as cost of goods sold:

	2018	2017
Losses on inventory valuation and obsolete inventories	$ 229,415	8,674
Loss on disposal of inventories	130,786	96,122
Gain on sales of scrap	(5,890)	(10,626)
Unallocated manufacturing overhead resulting from the actual production being lower than the normal capacity	53,665	65,462
	$ 407,976	159,632

As of December 31, 2018 and 2017, the Group did not provide any of the aforementioned inventory as collateral.

(d) Investments accounted for using equity method

Investments in associated companies accounted for using the equity method at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Associates	$ 40,374	-

The Group's share of the net income of associates was as follows:

	2018
Attributable to the Group:	
Loss	$ (10,732)
Other comprehensive income	(2,299)
Comprehensive income	$ (13,031)

(i) The Group lost control over Toptrans Suzhou in June 2018. While retaining significant influence on Toptrans Suzhou, the investment is accounted for using the equity method. Please refer to note 6(e).

(ii) The Group did not provide any investment accounted for using equity method as collateral.

(e) Loss control of subsidiaries

Toptrans Suzhou had a cash capital increase of $244,190 (US $8,030) in June 2018. However, the Group did not subscribe for additional shares due to operational strategy considerations, which resulted in a decrease in the Group's ownership interest from 100% to 24.94% of Toptrans Suzhou, and lost the control but retained significant influence on Toptrans Suzhou, the investment was therefore accounted for using the equity method. As the group is expected to continue providing technical supporting services of research, design and production test to Toptrans Suzhou per the agreement signed with the investors, capital increase is deemed as related to the technical supporting services, and the revaluation gain $81,262 is therefore deferred and recognized as unearned revenue. The Group recognize gain from unearned revenue during services are provided. From July 1 to December 31, 2018, gains transferred from unearned revenue amounted to $40,631, and was recognized as other gains and losses for the period. Please refer to note 6(t).

LUXNET CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The book value of assets and liabilities of Toptrans Suzhou on May 31, 2018 were as follows:

Cash and cash equivalents	$	1,758
Notes and accounts receivable, net		345
Prepaid expenses		7,855
Other current assets		1,654
Short-term borrowings		(21,313)
Notes and accounts payable		(18,021)
Accrued expenses and other current liabilities		(2,334)
Net assets of former subsidiary	$	(30,056)

(f) Property, plant and equipment

The cost, depreciation, and impairment loss of the property, plant and equipment of the Group for the years ended December 31, 2018 and 2017 were as follows:

		Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Cost or deemed cost:						
Balance on January 1,2018	$	247,696	361,779	1,533,906	30,433	2,173,814
Additions		-	-	43,189	990	44,179
Reclassifications		-	-	19,355	-	19,355
Disposals		-	-	(123,395)	(26,602)	(149,997)
Effect of movements in exchange rates		-	-	601	418	1,019
Balance on December 31, 2018	$	247,696	361,779	1,473,656	5,239	2,088,370
Balance on January 1, 2017	$	247,696	359,540	1,398,315	31,255	2,036,806
Additions		-	2,239	88,065	151	90,455
Reclassifications		-	-	56,145	-	56,145
Disposals		-	-	(8,212)	(662)	(8,874)
Effect of movements in exchange rates		-	-	(407)	(311)	(718)
Balance on December 31, 2017	$	247,696	361,779	1,533,906	30,433	2,173,814
Depreciation:						
Balance on January 1, 2018	$	-	59,444	648,178	23,718	731,340
Depreciation		-	14,369	177,750	1,151	193,270
Disposals		-	-	(85,427)	(22,567)	(107,994)
Effect of movements in exchange rates		-	-	400	345	745
Balance on December 31, 2018	$	-	73,813	740,901	2,647	817,361

	Land	Buildings and construction	Machinery and equipment	Office and other equipment	Total
Balance on January 1, 2017	$ -	45,394	469,598	21,120	536,112
Depreciation	-	14,050	186,918	3,407	204,375
Disposals	-	-	(8,161)	(620)	(8,781)
Effect of movements in exchange rates	-	-	(177)	(189)	(366)
Balance on December 31, 2017	$ -	59,444	648,178	23,718	731,340
Carrying amounts:					
Balance on December 31, 2018	$ 247,696	287,966	732,755	2,592	1,271,009
Balance on December 31, 2017	$ 247,696	302,335	885,728	6,715	1,442,474
Balance on January 1, 2017	$ 247,696	314,146	928,717	10,135	1,500,694

As of December 31, 2018 and 2017, property, plant and equipment of the Group had been pledged as collateral for long-term borrowings and credit lines; please refer to note 8.

(g) Financial liabilities reported at fair value through profit or loss

	December 31, 2018	December 31, 2017
Bonds (note 6(j))	$ 2,094	-

For the years ended December 31, 2018 and 2017, gain or loss on valuation of financial liabilities due to change in fair value was loss of $1,376 and $3,684, respectively, and was recognized in other gains and losses for the period. Please refer to note 6(t).

(h) Short-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	$ 200,000	620,000
Unused credit lines	$ 91,918	60,839
Annual interest rates	1.23%~1.50%	0.9%~1.4%

The group did not provide any asset pledged as collateral for short term borrowings.

LUXNET CORPORATION AND SUBSIDIARIES
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(i) Long-term borrowings

The details were as follows:

Creditors	Nature	Loan period	December 31, 2018	December 31, 2017
CTBC Bank	Secured loans	2016.12.15~2018.12.14	$ -	30,000
CTBC Bank	Secured loans	2016.12.19~2018.12.19	-	120,000
CTBC Bank	Secured loans	2017.09.15~2019.09.13	-	40,000
CTBC Bank	Secured loans	2017.09.19~2019.09.19	-	60,000
CTBC Bank	Secured loans	2017.12.13~2019.12.13	-	70,000
CTBC Bank	Secured loans	2018.12.14~2020.12.14	150,000	-
CTBC Bank	Secured loans	2018.12.26~2020.12.25	170,000	-
Fubon Bank	Unsecured loans	2016.11.21~2018.06.14	-	100,000
Chailease Finance Co., Ltd.	Secured loans	2017.11.30~2019.11.30	31,395	70,000
Less: current portion			(31,395)	(291,332)
Total			$ 320,000	198,668
Unused credit lines			$ -	-
Interest rates for the years ended			1.25%~1.55%	1.25%~1.62%

(i) The Company signed a long-term loan contract with Fubon Bank in June 2016, with the credit line of $100,000. The contract period expires two years after the contract date. The principal is to be repaid on the expiration date. The Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements: (1) a current ratio of not less than 100%; (2) a debt ratio not exceeding 125% (3) an interest coverage ratio of not less than 1000%; and (4) tangible stockholders' equity of not less than $1,000,000. If the Company violates the financial covenants, the bank has the right to add 0.25% to the interest rate from the next interest calculation date. If the Company violates the financial covenants twice, the bank has the right to adjust the credit line. According to the contract, the Company should transfer its business transaction cash flow from specific customers to its Fubon Bank account quarterly, and the cash flow must be at least USD$3,000.

(ii) The Company signed a long-term loan contract with CTBC Bank in June 2016, with the credit line of $320,000. The contract period of the loan expires two years after its first application. The principal is to be repaid on the expiration date. The Company has to maintain the following financial ratios calculated based on the Company's semi-annual audited (reviewed) consolidated financial statements: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than $1,200,000; and (3) a self-owned capital ratio of not less than 45%. If the Company violates the financial covenants and made no progress in the financial ratios within the period of improvement, the bank has the right to cease or decrease the credit line, or shorten the contract period, or the principal and interest are deemed to be due. According to the contract, the Company should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow is at least $350,000.

The Group repaid long-term loans due in September and December 2019 in advance in December 2018.

(iii) The Company signed a long term loan contract with Chailease Finance Co., Ltd. (Chailease) in November 2017 amounted to $70,000. It provided notes, which are due monthly, to Chailease in December 2017 based on the contract.

(iv) The Company signed a long term loan contract with CTBC Bank in July 2018, with the credit line of $320,000. The contract period of the loan expires two years after its first application. The principal is to be repaid on the expiration date. The Company has to maintain the following financial ratios calculated based on the Company's semi annual audited (reviewed) consolidated financial statements: (1) a current ratio of not less than 110%; (2) stockholders' equity of not less than $1,200,000; and (3) a self owned capital ratio of not less than 45%. If the Company violates the financial covenants and made no progress in the financial ratios within the period of improvement, the bank has the right to cease or decrease the credit line, or shorten the contract period, or the principal and interest are deemed to be due. According to the contract, the Company should transfer its business transaction cash flow to the CTBC Bank account every half-year, and the cash flow is at least $350,000.

On December 28 2018, the Company obtained the notice from CTBC Bank for changing the terms of the credit line. CTBC Bank agreed to waive the financial restrictions on the stockholders' equity of not less than $1,200,000.

(v) Please refer to note 8 for further information on assets pledged as collateral.

(j) Convertible bonds payable

	December 31, 2018	December 31, 2017
Aggregate principal amount	$ 1,100,000	800,000
Accumulated redeemed amount	(797,400)	(797,400)
Accumulated converted amount	(800)	-
Unamortized discount	(12,872)	(45)
Ending balance of bonds payable	288,928	2,555
Less: Bonds payable – current	(2,600)	(2,555)
Ending balance of bonds payable – non-current	$ **286,328**	-
Embedded derivative component – the value of redemption at the option of the Company/bondholders (recorded as other non-current liabilities)	$ **(2,094)**	-
Equity component (recorded as capital surplus – stock option)	$ **14,145**	**113**

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		2018	2017
Embedded derivative component – revaluation loss on redemption at the option of the Company/bond holders (recorded as other gains and losses)	$	1,376	3,382
Interest expense (recorded as finance cost)	$	4,691	13,775
Loss on redemption of bonds (recorded as other gains and losses)	$	-	4,273

The first domestic unsecured convertible bonds issued by the Group were matured on December 22, 2018. The residual bonds at par value $2,600 were redeemed to the holders at par value in January 2019.

The offering information on the unsecured convertible bonds was as follows:

	1st domestic unsecured convertible bonds	2st domestic unsecured convertible bonds
Offering amount	NT$800,000 thousand	NT$300,000 thousand
Issue date	December 22, 2015	March 12, 2018
Issuance price	At par value	At par value
Face interest rate	0%	0%
Issue period	December 22, 2015, to December 22, 2018	March 12, 2018, to March 12, 2021
Redemption at the option of the Company	The Group may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at a 1.5% yield rate at any time from January 22, 2016, to November 12, 2018, if the closing price of the common shares on the TPEx on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount.	The Group may redeem the bonds within 5 trading days after the bonds' recovery reference date with cash at par value at any time from June 12, 2018, to February 2, 2021, if the closing price of the common shares on the TPEx on each trading day during a period of 30 consecutive trading days exceeds 30% of the conversion price or if the amount of unconvertible bonds is less than 10% of the offering amount.
Redemption at the option of the Holder	Each Holder has the right to require the Group to redeem the Holder's bonds on December 22, 2017, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum. (note 2)	Each Holder has the right to require the Group to redeem the Holder's bonds on March 12, 2020, at a redemption price equal to the principal amount of the bonds with a yield-to-maturity of 0.5% per annum.

(Continued)

LUXNET CORPORATION AND SUBSIDIARIES
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	1st domestic unsecured convertible bonds	2st domestic unsecured convertible bonds
Conversion period	Each Holder of the bonds has the right at any time during the period from January 22, 2016, to the maturity date of the bond, to convert their bonds.	Each Holder of the bonds has the right at any time during the period from June 12, 2018, to the maturity date of the bond, to convert their bonds.
Conversion price on December 31, 2018 (note 1)	-	NT$30

note 1: The conversion price will be subject to adjustment in accordance with the conversion formula when the Group increases its capital or upon the occurrence of certain events involving the convertible bonds payable.

note 2: Due to the conditions listed above, the Group reclassified its long-term bonds to current portion. The bond holders have the optional rights to require the Group to redeem the bonds.

(k) Operating lease

Non-cancellable operating lease rentals are payable as follows:

		December 31, 2018	December 31, 2017
Less than one year	$	3,624	6,936
Between two and five years		2,386	16,387
	$	**6,010**	**23,323**

The Group leases factories, equipments, offices, transportation equipments, and employees' dorm under operating leases. The lease terms are between 1 and 5 years.

For the years ended December 31, 2018 and 2017, the Group recognized operating lease expenses of $3,848 and $8,060, respectively, as expenses. There is no contingent rent in any of the operating lease contracts.

(l) Employee benefits

(i) Defined benefit plans

The present value of the defined benefit obligations and the fair value adjustments of the plan assets of the Group were as follows:

		December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$	9,322	9,437
Fair value of plan assets		5,104	4,337
Net defined benefit liability	$	**4,218**	**5,100**

(Continued)

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The Group makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Law) entitle a retired employee to receive payments based on years of service and average salary for the six months prior to retirement.

1) Composition of plan assets

The Group contributes pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $5,104 at the end of the reporting period. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit obligations

The movements in present value of defined benefit obligations for the Group for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Defined benefit obligation at January 1	$	9,437	12,194
Benefits paid by the plan		(650)	-
Current service costs and interest		143	165
Remeasurement of net defined liability		392	(2,922)
Defined benefit obligation at December 31	$	9,322	9,437

3) Movements in the fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the Group for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Fair value of plan assets at January 1	$	4,337	3,581
Contributions paid by the employer		600	720
Interest income		65	53
Remeasurement of net defined liability		102	(17)
Fair value of plan assets at December 31	$	5,104	4,337

(Continued)

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Group for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Net interest of net liabilities for defined benefit	$	78	112
Administrative expenses	$	78	112

5) Remeasurement of the net defined benefit liabilities (asset) recognized in other comprehensive income

As of December 31, 2018 and 2017, the Group's remeasurement of the net defined benefit liabilities (asset) recognized in other comprehensive income were as follows:

		2018	2017
Accumulated amount at January 1	$	1,569	(1,336)
Recognized during the period		(290)	2,905
Accumulated amount at December 31	$	1,279	1,569

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2018	December 31, 2017
Discount rate	1.375 %	1.625 %
Future salary increase rate	3.00 %	3.00 %

The expected allocation payment to be made by the Group to the defined benefit plans for the one-year period after the reporting date was $600.

The weighted-average lifetime of the defined benefit plans is 20.53 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligations would have been as follows:

	Influence of defined benefit obligations	
December 31, 2018:	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	(280)	298
Future salary increase rate	286	(273)

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	Influence of defined benefit obligations	
December 31, 2017:	**Increased 0.25%**	**Decreased 0.25%**
Discount rate	(296)	311
Future salary increase rate	303	(290)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. Many assumption changes may affect each other in practice. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There was no change in the method and assumptions used in the preparation of the sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company's foreign subsidiaries have defined contribution plans. These plans are funded in accordance with the regulations of their respective countries. Contributions to these plans are expensed as incurred without additional legal or constructive obligation.

The Group recognized pension costs under the defined contribution method amounted to \$17,578 and \$18,185 for the years ended December 31, 2018 and 2017, respectively.

(m) Income taxes

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing with 2018.

(i) The amounts of income tax expenses for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax expense (benefit)	\$ 417	(799)
Deferred tax expense	-	13,367
Income tax expense	\$ 417	12,568

(ii) For the years ended December 31, 2018 and 2017, there was no income tax recognized in equity.

(iii) The amounts of income tax expenses (benefit) recognized in other comprehensive income were as follows:

		2018	2017
Exchange differences on translation of foreign operations' financial statements	$	21	(174)

(iv) Reconciliation of income tax and profit (loss) before tax for the years ended December 31, 2018 and 2017 is as follows:

		2018	2017
Loss excluding income tax	$	(694,600)	(646,258)
Income tax using the Company's domestic tax rate		(164,254)	(131,682)
Effect of tax rates in foreign jurisdictions		(6,939)	4,064
Non-deductible expenses		4,602	9,369
Change in unrecognized temporary differences		166,890	127,865
Adjustment for prior year's tax expense		417	(799)
Others		(299)	3,751
	$	417	12,568

(v) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group's unrecognized deferred tax assets were deductible temporary differences, listed as follows:

		December 31, 2018	December 31, 2017
Tax losses	$	188,000	103,079
Deductible temporary differences		108,476	54,095
	$	296,476	157,174

After evaluating the amount of its future income tax, the Group deemed its deductible items may not be realized. Therefore, they were not recognized as deferred tax assets.

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As of December 31, 2018, the company recognized the tax losses of deferred tax assets, and the expiry date is as following:

Year of loss	Expiry date	Unused balance	Unused tax losses carry forward
2016 (examined)	2026	$ 1,373	275
2017 (filed)	2027	491,200	98,240
2018 (estimated)	2028	447,426	89,485
		$ 939,999	188,000

2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Unrealized foreign exchange gains and losses	Share of other comprehensive income of subsidiaries accounted for using equity method	Total
Deferred tax liabilities:			
Balance on January 1, 2017	$ 1,562	153	1,715
Recognized in profit or loss	(1,562)	-	(1,562)
Recognized in other comprehensive income	-	(153)	(153)
Balance on December 31, 2017	$ -	-	-

	Loss on inventory valuation and obsolete inventories	Excess allowance for doubtful account	The carryforward of unused tax losses	Others	Total
Deferred tax assets:					
Balance on January 1, 2018	$ -	-	-	(21)	(21)
Recognized in other comprehensive income	-	-	-	21	21
Balance on December 31, 2018	$ -	-	-	-	-
Balance on January 1, 2017	$ (10,967)	(374)	(3,378)	(210)	(14,929)
Recognized in profit or loss	10,967	374	3,378	210	14,929
Recognized in other comprehensive income	-	-	-	(21)	(21)
Balance on December 31, 2017	$ -	-	-	(21)	(21)

(vi) The Company's income tax returns have been examined by the tax authority through the years up to 2016.

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(n) Capital and other equity

As of December 31, 2018 and 2017, the nominal common stock amounted to $1,200,000 and $1,000,000, respectively. Par value of each share is $10 (dollars). The number of shares includes employee stock options for 8,000 thousand shares. The issued amounts were $1,028,973 and $909,716, respectively.

Reconciliation of shares outstanding for the years ended December 31, 2018 and 2017 was as follows:

(thousand shares)		2018	2017
Balance on January 1	$	90,972	73,858
Issuance of ordinary shares		11,950	17,000
Conversion of convertible bonds		27	-
Issued for restricted stock (note 6(o))		-	208
Retirement of restricted stock		(51)	(94)
Balance on December 31	$	102,898	90,972

(i) Common stock

Based on the resolution approved in the stockholders' meeting held on May 26, 2017, the board of directors was authorized to undertake cash offering through private placement within one year, with less than 27,000 thousand stocks to be issued. On June 2, 2017 and January 19, 2018, the board of directors resolved to issue 17,000 thousand and 1,950 thousand new common stocks amounting to $510,000 and $58,500 at $30 per share, with a par value of $10 per share, respectively. June 16, 2017 and January 26, 2018 were set as the date of capital increase. The relevant statutory registration procedures had been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to the requirements stated under section 43(8) of the Securities and Exchange Act. The Company can only apply for these shares, to be traded on the TPEx, after a three year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering from the Financial Supervisory Commission.

Based on the resolution approved in the board meeting held on 14 December, 2017, for the issuance of 10,000 thousand ordinary shares, with par value of $10 per share, amounting to $275,000, and 19 March, 2018, was set as the date of capital increase. In addition, the amount of underwriting fee $2,500 was deducted from the capital surplus in excess of par value. The relevant statutory registration procedures had been completed.

Based on the resolution approved in the board meeting held on May 10 and November 8, 2017, the number of shares was reduced by 44 and 50 thousand shares, respectively, from retirement of restricted stock, with June 21 and November 28, 2017, respectively, as the date of capital reduction. The relevant statutory registration procedures were completed.

Based on the resolution approved in the board meeting held on July 19, 2018, the number of shares was reduced by 51 thousand shares from retirement of restricted stock, with July 23, 2018 as the date of capital reduction. The relevant statutory registration procedures were completed.

The second domestic unsecured convertible bonds issued by the Company were converted into 27 thousand ordinary shares ($267) due to the conversion of the holders on 2 July, 2018. The relevant statutory registration procedures were completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 753,655	756,360
Employee stock options	1,456	1,456
Conversion options of convertible bonds	14,145	113
Restricted employee stock options	2,000	9,043
Other	34,656	34,543
	$ 805,912	801,515

According to the ROC Company Act, capital surplus can only be used to offset a deficit, and only the realized surplus can be used to increase the ordinary shares or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring paid-in capital in excess of par value should not exceed 10% of the total ordinary shares outstanding.

(iii) Retained earnings

According to the articles of the Company, 10 percent of its annual net income after settling all outstanding tax payables and accumulated deficit, if any, is to be set aside as legal reserve, until the accumulated legal capital reserve has equaled the total capital of the Company. Also, a special reserve should be retained or reversed under related regulations and the Company's operating demands. The remainder, if any, shall combined into an aggregate amount of undistributed earnings, which shall become the aggregate distributable earnings to be distributed by the directors' distribution proposals according to the resolution adopted at the stockholders' meeting.

The Company is at its growth stage and it considers its future cash demand and long-term financial plans. Dividends distributed each year shall range from 10 to 70 percent of undistributed earnings. To satisfy stockholders' demand for cash, when allocating the earnings for each year, the cash dividend shall not be less than 10 percent of the total dividends.

1) Legal reserve

In accordance with the Company Act, 10 percent of the net income after tax should be set aside as legal reserve, until it is equal to share capital. If the Company experiences profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the stockholders' meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25 percent of the paid-in capital.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other stockholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other stockholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other stockholders' equity shall qualify for additional distributions.

3) Earnings distribution

Based on the resolution approved in the stockholders' meeting held on June 29, 2018, the Company offset accumulated deficits by legal reserve of $120,889 and by capital surplus of $220,489.

Based on the resolution approved in the stockholders' meeting held on June 29, 2018, the Company would not distribute earnings because of the loss for the year ended December 31, 2017.

Based on the resolution approved in the stockholders' meeting held on May 26, 2017, the Company would not distribute earnings because of the loss for the year ended December 31, 2016.

(o) Share-based payment

(i) Based on the resolution approved in the board of directors' meeting held on May 10, 2017, the Company resolved to issue 244 thousand new shares of restricted stock. The actual numbers of shares issued were 208 thousand shares.

(ii) As of December 31, 2018, the outstanding restricted stock of the Company was as follows:

	Plan 4-2
Grant date	June 11, 2017
Fair value on grant date (per share)	31.05
Exercise price	20
Granted units (thousand shares)	208
Vesting period	1~2 years (note 1)

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Note 1: If the employees continue to provide service to the Company, 50% of the restricted stock shall be vested in year 1 after the grant date, and the remaining 50% shall be vested in year 2 after the grant date.

The restricted stock is kept by a trust, which is appointed by the Company, before it is vested. These shares shall not be sold, pledged, transferred, gifted, or, by any other means, disposed of to third parties during the custody period except for inheritance. Holders of restricted stock are entitled to the same rights as the Company's existing common stockholders. The Company will purchase and write off all shares of an employee who fails to comply with the vesting conditions at the lower of issuance price or TPEx closing price, and the dividend distributed should be returned to the Company also.

The related information on restricted stock of the Company was as follows:

(thousand shares)	2018	2017
Outstanding at January 1	376	567
Granted during the year	-	208
Vested during the year	(231)	(326)
Expired during the year	(51)	(73)
Outstanding at December 31	94	376

Compensation cost attributable to share-based payment for the years ended December 31, 2018 and 2017 was $1,409 and $7,873, respectively.

(p) Earnings per share

The calculation of basic earnings per share for the years ended December 31, 2018 and 2017, was based on the profit (loss) attributable to ordinary stockholders of the Company and the weighted-average number of common shares outstanding, calculated as follows:

	2018	2017
Profit (loss) attributable to common stockholders	$ (695,017)	(658,826)

Weighted-average number of common shares

(thousand shares)	2018	2017
Ordinary shares at January 1	90,595	73,271
Effect of issuance of ordinary shares	9,288	8,500
Effect of restricted stock	89	98
Effect of conversion of convertible bonds	13	-
Ordinary shares at December 31	99,985	81,869

Since the potential common shares have no dilutive effect, the Company needs only disclose the calculation on basic earnings per share for the years ended December 31, 2018 and 2017.

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(q) Revenue from contracts with customers

(i) Disaggregation of revenue

		2018
Primary geographical markets		
Taiwan	$	66,718
China		943,544
America		505,932
Other		8,881
	$	1,525,075
Major products		
Active components for optical communication		1,058,566
Chips	$	43,528
Modules		382,617
Others		40,364
		1,525,075

For details on revenue for the year ended December 31, 2017, please refer to note 6(r).

(ii) Contract balances

		December 31, 2018	January 1, 2018
Notes and accounts receivable	$	285,637	449,392
Less: allowance for impairment		(53,602)	(68,749)
	$	232,035	380,643
Contract liabilities	$	49,579	-

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

The contract liabilities primarily relate to the advance consideration received from customers, for the sales contracts whose revenue is recognized when products are delivered to customers.

(r) Revenue

The details of revenue for the year ended December 31, 2017, was as follows:

		2017
Goods sold	$	1,666,793

For details on revenue for the year ended December 31, 2018, please refer to note 6(q).

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(s) Remuneration to employees, directors and supervisors

Based on the Company' s articles of incorporation, 5% to 15% of annual profit should be appropriated as employee remuneration. The board of directors will adopt a resolution on whether the distribution is paid in cash or stock. Qualified employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive their remuneration specified by the board of directors. The annual profit aforementioned may also be appropriated as directors' and supervisors' remuneration through the board's resolution, wherein the amount should not exceed 5% of annual profit after offsetting prior years' deficits.

The Company did not estimate any remuneration to employees, and directors and supervisors due to its loss in 2018 and 2017. The amounts, as stated in the consolidated financial statements, are identical with those of the actual distributions for 2018 and 2017. Related information would be available at the Market Observation Post System website.

(t) Non-operating income and expenses

Other gains and losses were as follows:

		2018	2017
Foreign currency exchange gains (losses)	$	17,267	(33,957)
Losses on redemption of bonds		-	(4,273)
Net losses on financial liabilities measured at fair value through profit or loss		(1,376)	(3,684)
Losses on disposal of property, plant and equipment		(16,680)	(21)
Impairment loss		(16,941)	-
Gains on disposal of investments		40,631	-
Other		132	1,015
	$	23,033	(40,920)

(u) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

Sales to individual customers constituting over 10% of total revenue for the years ended December 31, 2018 and 2017, totaled 70% and 68%, respectively. As of December 31, 2018 and 2017, 41% and 79%, respectively, of the ending balance of notes and accounts receivable were accounted for by those customers. The Group periodically evaluates these customers' financial position and the possibility of recovery of related accounts receivable to lower credit risk.

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3) Credit risk of account receivables

For details on credit risk exposure of notes and account receivables, please refer to note 6(b).

(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including interest but excluding the effect of any netting agreement:

	Carrying amount	Contractual cash flows	Within 1 year	1~2 years	2~5 years
December 31, 2018					
Non-derivative financial liabilities:					
Short-term borrowings	$ 200,000	200,365	200,365	-	-
Convertible bonds	288,928	301,800	2,600	-	299,200
Notes and accounts payable	167,439	167,439	167,439	-	-
Accrued expenses and other payables	16,155	16,155	16,155	-	-
Long-term borrowings	351,395	362,066	32,270	329,796	-
	$ 1,023,917	1,047,825	418,829	329,796	299,200
December 31, 2017					
Non-derivative financial liabilities:					
Short-term borrowings	$ 620,000	620,754	620,754	-	-
Convertible bonds	2,555	2,600	2,600	-	-
Notes and accounts payable	277,451	277,451	277,451	-	-
Accrued expenses and other payables	24,562	24,562	24,562	-	-
Long-term borrowings	490,000	498,552	294,802	203,750	-
	$ 1,414,568	1,423,919	1,220,169	203,750	-

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

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(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets						
Monetary items						
USD:TWD	$ 16,961	30.715	520,957	20,924	29.760	622,698
Financial liabilities						
Monetary items						
USD:TWD	3,038	30.715	93,312	7,767	29.760	231,146

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, loans and borrowings, and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 5% of the TWD against the USD as of December 31, 2018 and 2017, would have increased or decreased the net loss before tax by $21,382 and $19,578, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain or loss on monetary items

The information on the amount of the Group's foreign exchange gain or loss on monetary items (including realized and unrealized) translated to the functional currency, and on the exchange rate translated to the functional currency of the parent company (the presentation currency), TWD, was as follows:

	2018		2017	
	Foreign exchange gain or loss	Average exchange rate	Foreign exchange gain or loss	Average exchange rate
TWD	$ 16,740	1.000	(35,227)	1.000
CNY	527	4.560	1,270	4.507
	$ 17,267		(33,957)	

(iv) Interest rate analysis

The interest risk exposure from financial assets and liabilities has been disclosed in the note on liquidity risk management.

The following sensitivity analysis is based on the exposure to interest rate risk of non-derivative financial instruments on the reporting date. For variable-rate liabilities, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. An increase or decrease of 25 basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If the interest rate had increased or decreased by 25 basis points, the net loss before tax would have increased or decreased by the amount of $396 and $1,847 for the years ended December 31, 2018 and 2017 respectively, which would have mainly resulted from bank savings and borrowings with variable interest rates.

Financial instruments with fixed interest rates held or issued by the Group are valued at amortized cost. Since the change in market interest rate at the end of each reporting period had no impact on profit and loss, disclosure of the sensitivity to changes in fair value is not necessary.

(v) Fair value

1) Kinds of financial instruments and fair value

The fair value of financial assets and liabilities at fair value through profit or loss is measured on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
		Fair Value			
	Book value	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at amortized cost					
Cash and cash equivalents	$ 361,682				
Notes and accounts receivable	232,035				
Total	$ 593,717				
Financial liabilities at amortized cost					
Long-term and short-term borrowings	$ 551,395				
Notes and accounts payable	167,439				
Convertible bonds	288,928	-	265,537	-	265,537
Other financial liabilities	72,249				
Total	$ 1,080,011				
Financial liabilities at fair value through profit or loss – non-current	$ 2,094	-	-	2,094	2,094

(Continued)

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	December 31, 2017				
		Fair Value			
	Book value	Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	$ 301,625				
Notes and accounts receivable	380,643				
Other receivables	71				
Total	$ 682,339				
Financial liabilities at amortized cost through profit or loss					
Long-term and short-term borrowings	$ 1,110,000				
Notes and accounts payable	277,451				
Convertible bonds	2,555	-	2,616	-	2,616
Other financial liabilities	82,500				
Total	$ 1,472,506				

2) Valuation techniques to measure fair value of financial instruments not measured at fair value

Financial instruments of the Group not measured at fair value are financial assets and liabilities valued at amortized cost. Measurement of fair value of these financial instruments is based on recent transaction prices. When market price are unavailable, valuation is based on discounted cash flow.

3) Fair value valuation technique of financial instruments measured at fair value

Valuation of derivative financial instruments of the Group is based on a valuation model widely used by market participants, such as the discounted cash flow method and the Black-Scholes Option Pricing Model. Forward exchange agreements are usually valued at the current forward exchange rate.

4) Changes in Level 3

	Forward contract	Convertible bonds	Total
Balance on January 1, 2018	$ -	-	-
Recognized in profit or loss	-	(1,376)	(1,376)
Acquisition / disposal / pay-off	-	(718)	(718)
Balance on December 31, 2018	$ -	(2,094)	(2,094)
Balance on January 1, 2017	$ -	(14,400)	(14,400)
Recognized in profit or loss	(302)	(3,382)	(3,684)
Disposal / pay-off	302	17,782	18,084
Balance on December 31, 2017	$ -	-	-

The aforementioned total gains and losses were recognized in "other gains and losses". The details of the liabilities which the Group still held as of December 31, 2018 and 2017, were as follows:

	2018	2017
Total gains and losses (recognized in "other gains and losses")	$ (1,376)	-

5) Fair value measurements using significant unobservable inputs (Level 3)

The fair value measurements of the Group which are categorized into Level 3 are redemption rights of embedded convertible bonds which use the Binomial Tree Model to decide the fair value. After evaluation, these derivative financial instruments have no significant influence on the Group's financial report. Therefore, the quantify information and sensitivity analysis related to fair value measurements using significant unobservable inputs are not disclosed.

6) In the years ended December 31, 2018 and 2017, there were no transfers between levels.

(v) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk

2) Liquidity risk

3) Market risk

This note presents information on exposure to each of the above risks and on the objectives, policies, and processes for measuring and managing risk. For detailed information, please refer to the related notes on each risk.

(ii) Structure of risk management

The board of directors is responsible for the establishment and oversight of risk management and for developing and controlling the risk management policy of the Group.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect any changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee monitors the management to ensure compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The audit committee and the board of directors are assisted in their oversight role by internal auditor. Internal auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee and board of directors.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations, which arises principally from the Group's cash and cash equivalents; notes, accounts, and other receivables; and derivative instruments.

1) Cash and cash equivalents

The Group deposited cash in reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default is very low and anticipates no significant credit loss. The Group also deals with numerous financial institutions to disperse the risk, thus the Group will not suffer any significant loss if the abovementioned institutions default.

2) Notes, accounts and other receivables

The Group has established a credit policy. The Group uses external credit rating systems and previous transaction records to assess the credit quality and set the credit limits for the customer. The Group constantly supervises credit exposures and credit limits of transaction partners, and controls credit exposures through setting the credit limits.

3) Derivative instruments

The Group entered into derivative instrument contracts with reputable and creditworthy financial institutions. The Group believes that the risk that these financial institutions may default on these contracts is very low and anticipates no significant credit loss.

4) Guarantees

The Group has established a credit policy under that the Group can only provide guarantees to 100%-held subsidiaries. As of December 31, 2018 and 2017, the Group did not provide any guarantee.

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(Continued)

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group had unused bank facilities of $91,918 and $60,839 as of December 31, 2018 and 2017, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities. These transactions are denominated in USD.

The Group uses forward exchange contracts to hedge its currency risk. The Group makes performance reports and reviews operating strategy regularly, and believes that there is no significant risk because the gains or losses from exchange rate fluctuation will mostly be offset by the hedged item.

2) Interest rate risk

The Group's main assets and liabilities with a floating-interest-rate basis are deposits and borrowings. The Group believes that cash flow risk arising from interest rate fluctuation is insignificant.

(w) Capital management

The board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence, and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, and retained earnings.

The Group's debt-to-equity ratio as of December 31, 2018 and 2017, was 72% and 79%, respectively.

(x) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow in the years ended December 31, 2018 and 2017, were as follows:

(i) The increase in property, plant and equipment and other non-current assets from the transfer of prepayment for equipment was $19,355 and $56,145, respectively. Please refer to note 6(f).

(ii) For retirement of restricted stock, please refer to note 6(o).

(iii) For conversion of convertible bonds to ordinary shares, please refer to note 6(n).

(iv) Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes: Discount of bonds payable	Non-cash changes: Conversion of convertible bonds to ordinary shares	December 31, 2018
Short-term borrowings	$ 620,000	(420,000)	-	-	200,000
Long-term borrowings	490,000	(138,605)	-	-	351,395
Bonds payables	2,555	300,000	(12,827)	(800)	288,928
Total liabilities from financing activities	$ 1,112,555	(258,605)	(12,827)	(800)	840,323

(7) Related-party transactions:

(a) Name and relationship with related parties

The followings are entities that have had transactions with the related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
InnoLight Technology (Suzhou) Ltd. (InnoLight)	The same chairman as the Company (Note)
Toptrans (Suzhou) Corporation Limited (Toptrans Suzhou)	An associates of the Group (Note1)

Note: The chairman of the Company resigned as the chairman of InnoLight on July 3, 2017. Therefore, transactions made after resigning need not be disclosed. The prior chairman of the Company, Hsing Hsien Kung, resigned as the chairman of the Company on January 10, 2018.

Note 1: The Group lost control over Toptrans Suzhou in June, 2018 while retaining significant influence. Therefore, the Group transferred Toptrans Suzhou from a subsidiary to associate.

(b) Significant transactions with related parties

(i) Sale of goods to related parties

For the year ended December 31, 2017, sales to InnoLight was $101,485. As of December 31, 2017, the accounts receivable arising from aforementioned transactions was settled.

In addition, there were no significant differences in the selling prices and trading terms between InnoLight and other customers. The credit terms with related parties were about 90 days, whereas the terms with other customers were 30 to 105 days except for payments received in advance.

(ii) Provide service to related parties

For the year ended December 31, 2018, revenue of providing service to associate, Toptrans Suzhou, amounted to $11,983. As of December 31, 2018, the accounts receivable arising from aforementioned transactions was settled.

(iii) Loans to related parties

The loans to associate Toptrans Suzhou were as follows:

	December 31, 2018
Other receivables — loans	$ 16,751
Other receivables — interest	190
	16,941
Less: allowance impairment	(16,941)
	$ -

(iv) Property transactions and others

As of 2017, the amount of purchase of indirect material for repair, and components from related parties was $145. As of December 31, 2017, the accounts payable arising from aforementioned transactions was settled.

(c) Key management personnel compensation

	2018	2017
Short-term employee benefits	$ 27,625	25,841
Post-employment benefits	874	864
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	429	693
	$ 28,928	27,398

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(8) Pledged assets:

As of December 31, 2018 and 2017, assets pledged as collateral were as follows:

		Book value of pledged assets	
Pledged assets	**Pledged to secure**	**December 31, 2018**	**December 31, 2017**
Fixed assets – land	Long-term borrowings and credit line collateral	$ 247,696	247,696
Fixed assets – buildings and construction	Long-term borrowings and credit line collateral	287,966	302,335
Fixed assets–machinery and equipment	Long-term borrowings	98,495	113,705
Refundable deposits	Long-term borrowings and collateral for court proceedings	35,740	14,000
		$ 669,897	677,736

(9) Commitments and contingencies:

(a) The Group's unused letters of credit for purchasing machinery and equipment were as follow:

	December 31, 2018	December 31, 2017
Unused letters of credit for purchasing machinery and equipment	$ 8,082	14,161

(b) The amounts of guarantee notes issued as collateral for bank loans were as follows:

		December 31, 2018	December 31, 2017
Guarantee notes issued	USD	$ 7,500	13,500
Guarantee notes issued	TWD	$ 835,000	965,000

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(c) Contingencies

Toptrans Suzhou had a cash capital increase in June 2018. Pursuant to the agreement with investors, the Group shall indemnify the investors in the event of unresolved or unpaid obligation arising from past transactions, or breach of non-competitive clause after the capital increase.

(10) Losses Due to Major Disasters:None.

(11) Subsequent Events:None.

(12) Other:

The following is a summary statement of current-period employee benefit, depreciation, and amortization expenses by function:

By function / By item	2018			2017		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Employee benefit expenses						
Salaries	211,909	118,372	330,281	211,016	131,910	342,926
Labor and health insurance	23,119	9,982	33,101	22,840	10,400	33,240
Pension	11,598	6,058	17,656	11,739	6,558	18,297
Others	15,324	12,115	27,439	19,878	10,097	29,975
Depreciation	167,699	25,571	193,270	178,064	26,311	204,375
Amortization	8,514	6,885	15,399	15,890	14,584	30,474

(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
												Item	Value		
0	The Company	Toptrans Suzhou	Other receivables	16,751	18,156	16,751	2%	Required loans to other parties	-	Operating capital	16,751	-	-	(Note 1)	(Note 1)

Note 1: The amounts loaned to a company from the Company or subsidiaries shall not exceed 10% of the entity's net worth, $113,706, in the latest financial statements. The total amounts loaned to all companies shall not exceed 40% of the Company's net worth, $454,824.

(ii) Guarantees and endorsements for other parties:None.

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Highest balance during the year		Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	Share/Units (thousands)	Percentage of ownership (%)	
The Company	BANDWIDTH10, INC.	-	Financial assets measured at FVOCI–Non-current	220	-	4.43 %	-	220	4.43 %	

(iv) Individual securities acquired or disposed of with an accumulated amount exceeding the lower of TWD$300 million or 20% of the capital stock:None.

(v) Acquisition of individual real estate with an amount exceeding the lower of TWD$300 million or 20% of the capital stock:None.

(vi) Disposal of individual real estate with an amount exceeding the lower of TWD$300 million or 20% of the capital stock:None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of TWD$300 million or 20% of the capital stock:None

(viii) Receivables from related parties with amounts exceeding the lower of TWD$100 million or 20% of the capital stock:None.

(ix) Trading in derivative instruments: Please refer to note 6(g).

(x) Business relationships and significant intercompany transactions:None

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Location	Main and Businesses products	Original investment amount		Ending balance			Investee recognize as of December 31, 2018		Highest balance during the year		Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership (%)	Carrying value	Net income (losses)	Investment income (losses)	Shares (thousands)	Percentage of ownership	
The Company	Toplight Corporation Limited	Seychelles	Holding company	122,980	122,980	4,000	100 %	(257)	1,808	1,808	4,000	100 %	(Note)
Toplight Corporation Limited	Toptrans Corporation Limited	Hong Kong	Holding company	122,980	122,980	4,000	100 %	(257)	1,808	1,808	4,000	100 %	(Note)

Note: The long-term equity investments were eliminated in the preparation of the consolidated financial statements.

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(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, their main businesses and products, and other information:

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2016	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Percentage of ownership	Net income (losses) of the Investment income (loss)	Book value	Accumulated remittance of earnings in current period	Highest balance during the year		Note
					Outflow	Inflow						investment	percentage of ownership	
Toptrans (Suzhou) Corporation Limited	Electronic components manufacturing	367,169 (USD 12,030)	(note)	122,980 (USD 4,000)	-	-	122,980 (USD 4,000)	24.94 %	(38,823)	40,374	-	122,980	100 %	note 1

Note: The company indirectly invested Toptrans (Suzhou) by Toplight Corporation and Toptrans Corporations Limited.
Note1: Toptrans Xuzhou had a cash capital increase in June 2018, but the Group did not subscribe for additional shares, which resulted in a decrease of the Group's ownership interest from 100% to 24.94%.

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
122,980 (USD4,000)	123,743 (USD4,000)	682,237

Note1: The company indirectly invested Toptrans (Suzhou) by Toplight corporation and Toptrans Corporations Limited.

Note 2: The TWD amount was measured on December 31, 2018 with the spot exchange rate of 30.715, except for the investment income (which are measured by using the average exchange rate for the year 2018) and outflow of investment (which was measured by using the exchange rate on outflow date).

The above investment income (losses) were based on the financial statements audited by the Company's auditors.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China are disclosed in the "Information on significant transactions".

(14) Segment information:

(a) General information

The Group's revenues are mainly from active components for optical communication. The chief operating decision maker (CODM) of the Group used overall operating results as the basis for evaluating performance and considered the Group a single segment. The segment information for the years ended December 31, 2018 and 2017 were the same as the Group's consolidated financial statements.

(b) Entity-wide information

(i) Product and service information

The Group's product and service revenues from exterior clients were as follows:

Product	2018	2017
Active components for optical communication	$ 1,059,131	1,056,333
Chips	43,528	122,542
Modules	382,052	467,039
Others	40,364	20,879
	$ 1,525,075	1,666,793

(ii) Geographic information

In presenting information on the basis of geography, revenue is based on the geographical location of customers, and non-current assets are based on the geographical location of the assets. Details were as follows:

Geographic Information	2018	2017
Revenues from external customers:		
Taiwan	$ 66,718	382,799
China	943,544	714,313
America	505,932	550,851
Other	8,881	18,830
	$ 1,525,075	1,666,793
	December 31, 2018	**December 31, 2017**
Non-current assets:		
Taiwan	$ 1,325,308	1,478,576
China	-	19,223
	$ 1,325,308	1,497,799

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(iii) Major customer information

The information on major customers that accounted for more than 10% of revenue in the consolidated statements of comprehensive income in 2018 and 2017 is as follows:

	2018		2017	
	Net sales	**Percentage of net sales**	**Net sales**	**Percentage of net sales**
Company CN-A082	$ 395,488	26	452,599	27
Company CN-HK05	265,190	17	224,420	14
Company CN-CO52	257,696	17	19,306	1
Company CN-HK06	153,876	10	120,625	7
Company CN-C107	44,204	3	173,748	10
Company CN-T176	-	-	278,600	17
	$ 1,116,454	73	1,269,298	76