Nuvoton Technology Corporation and Subsidiaries

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

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Nuvoton Technology Corporation

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Validity of sales revenues

There is significant risk of revenue recognition. In addition, customers' line of credits are highly correlated to delivery of products and recognition of sales revenue. We therefore considered that the validity of sales revenue from the twenty largest customers with changes in credit lines and temporary increase in credit lines in 2018 as a key audit matter for 2018. Refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure the occurrence of transactions.

Other Matter

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and 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 members of the audit committee) are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

6. Obtain sufficient and appropriate audit evidence regarding the financial information of 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 statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 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 Hung-Bin Yu and Kenny Hong.

Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2019

<u>*Notice to Readers*</u>

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

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,543,918	25	$ 1,417,029	23
Financial assets at fair value through profit or loss, current (Notes 4 and 7)	763	-	1,710	-
Notes and accounts receivable, net (Notes 4 and 8)	934,777	15	743,264	12
Accounts receivable due from related parties, net (Notes 4, 8 and 27)	62,306	1	51,114	1
Other receivables (Notes 9 and 27)	181,397	3	376,245	6
Inventories (Notes 4 and 10)	1,560,938	26	1,634,318	26
Other current assets (Note 24)	173,760	3	225,732	4
Total current assets	4,457,859	73	4,449,412	72
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income, non-current (Notes 4 and 11)	539,283	9	-	-
Available-for-sale financial assets, non-current (Notes 4 and 12)	-	-	289,789	5
Financial assets measured at cost, non-current (Notes 4 and 13)	-	-	301,493	5
Property, plant and equipment (Notes 4 and 14)	697,917	11	642,663	10
Investment properties (Notes 4 and 15)	50,527	1	56,278	1
Intangible assets (Notes 4 and 16)	144,754	2	203,612	3
Deferred income tax assets (Notes 4 and 21)	109,790	2	95,318	2
Refundable deposits paid (Note 6)	81,435	1	71,571	1
Other non-current assets (Note 24)	36,103	1	38,696	1
Total non-current assets	1,659,809	27	1,699,420	28
TOTAL	$ 6,117,668	100	$ 6,148,832	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Accounts payable	$ 888,700	15	$ 934,901	15
Other payables (Notes 17 and 26)	878,329	14	874,942	14
Current tax liabilities (Notes 4 and 21)	84,963	1	88,934	2
Other current liabilities	63,186	1	88,549	1
Total current liabilities	1,915,178	31	1,987,326	32
NON-CURRENT LIABILITIES				
Products guarantee based on commitment (Note 4)	101,891	2	101,891	2
Accrued pension liabilities (Notes 4 and 18)	294,427	5	306,107	5
Other non-current liabilities	71,806	1	90,547	1
Total non-current liabilities	468,124	8	498,545	8
Total liabilities	2,383,302	39	2,485,871	40
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Share capital (Note 19)	2,075,544	34	2,075,544	34
Capital surplus				
Additional paid-in capital	63,485	1	63,485	1
Employee share options	13	-	13	-
Retained earnings				
Legal reserve	470,659	8	401,846	6
Unappropriated earnings	955,346	15	896,014	15
Exchange differences on translation of foreign operations (Notes 4 and 19)	(10,535)	-	(165)	-
Unrealized gains (losses) on financial asset at fair value through other comprehensive income (Notes 4 and 19)	179,854	3	-	-
Unrealized gains (losses) on available-for-sale financial assets (Notes 4 and 19)	-	-	226,224	4
Total equity	3,734,366	61	3,662,961	60
TOTAL	$ 6,117,668	100	$ 6,148,832	100

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE (Note 20)	$ 10,040,221	100	$ 9,235,382	100
OPERATING COST	6,127,054	61	5,502,875	60
GROSS PROFIT	3,913,167	39	3,732,507	40
OPERATING EXPENSES				
Selling expenses	235,538	3	223,903	3
General and administrative expenses	398,485	4	407,029	4
Research and development expenses	2,524,485	25	2,388,012	26
Total operating expenses	3,158,508	32	3,018,944	33
PROFIT FROM OPERATIONS	754,659	7	713,563	7
NON-OPERATING INCOME AND LOSSES				
Interest income	12,105	-	13,197	-
Dividend income	73,322	1	65,216	1
Other gains and losses	7,516	-	5,380	-
Gains (losses) on disposal of property, plant and equipment	1,254	-	638	-
Foreign exchange gains (losses)	20,475	-	(3,894)	-
Gains (losses) on financial instruments at fair value through profit or loss	(30,411)	-	5,331	-
Total non-operating income and losses	84,261	1	85,868	1
PROFIT BEFORE INCOME TAX	838,920	8	799,431	8
INCOME TAX EXPENSE (Notes 4 and 21)	(128,287)	(1)	(111,298)	(1)
NET PROFIT	710,633	7	688,133	7

(Continued)

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSSES)				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Notes 4 and 18)	$ (67,323)	(1)	$ (18,946)	-
Unrealized gains (losses) on investments in equity instruments at fair value through other comprehensive income	(196,160)	(2)	-	-
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	(10,370)	-	(29,445)	-
Unrealized gains (losses) on available-for-sale financial assets	-	-	142,876	1
Other comprehensive income (loss)	(273,853)	(3)	94,485	1
TOTAL COMPREHENSIVE INCOME	$ 436,780	4	$ 782,618	8
EARNINGS PER SHARE (Notes 4 and 23)				
From continuing operations				
Basic	$ 3.42		$ 3.32	
Diluted	$ 3.40		$ 3.30	

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Parent								
		Capital Surplus		Retained Earnings		Other Equity			
	Share Capital	Additional Paid-in Capital	Employee Share Options	Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized Gain (Losses) on Financial Assets at Fair Value Through Other Comprehensive Income	Unrealized Gain (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE, JANUARY 1, 2017	$ 2,075,544	$ 63,485	$ 13	$ 340,530	$ 786,274	$ 29,280	$ -	$ 83,348	$ 3,378,474
Net profit in 2017	-	-	-	-	688,133	-	-	-	688,133
Other comprehensive income (loss) in 2017	-	-	-	-	(18,946)	(29,445)	-	142,876	94,485
Total comprehensive income (loss) in 2017	-	-	-	-	669,187	(29,445)	-	142,876	782,618
Appropriation of 2016 earnings (Note 19)									
Legal reserve	-	-	-	61,316	(61,316)	-	-	-	-
Cash dividends	-	-	-	-	(498,131)	-	-	-	(498,131)
BALANCE, DECEMBER 31, 2017	2,075,544	63,485	13	401,846	896,014	(165)	-	226,224	3,662,961
Adjustment on initial application of IFRS 9 (Note 3)	-	-	-	-	493	-	379,242	(226,224)	153,511
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	2,075,544	63,485	13	401,846	896,507	(165)	379,242	-	3,816,472
Net profit in 2018	-	-	-	-	710,633	-	-	-	710,633
Other comprehensive income (loss) in 2018	-	-	-	-	(67,323)	(10,370)	(196,160)	-	(273,853)
Total comprehensive income (loss) in 2018	-	-	-	-	643,310	(10,370)	(196,160)	-	436,780
Appropriation of 2017 earnings (Note 19)									
Legal reserve	-	-	-	68,813	(68,813)	-	-	-	-
Cash dividends	-	-	-	-	(518,886)	-	-	-	(518,886)
Disposals of investments in equity instruments at fair value through other comprehensive income (Notes 11 and 19)	-	-	-	-	3,228	-	(3,228)	-	-
BALANCE, DECEMBER 31, 2018	$ 2,075,544	$ 63,485	$ 13	$ 470,659	$ 955,346	$ (10,535)	$ 179,854	$ -	$ 3,734,366

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

NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 838,920	$ 799,431
Adjustments for:		
Depreciation expense	164,001	155,125
Amortization expense	86,807	88,233
Expected credit loss recognized (reversed) on accounts receivables	3,855	-
(Reversal of) provision for allowance for doubtful accounts	-	66
Interest income	(12,105)	(13,197)
Dividend income	(73,322)	(65,216)
Net (gain) loss on fair value change of financial assets and liabilities designated as at fair value through profit or loss	947	(2,417)
(Gain) loss on disposal of property, plant and equipment	(1,254)	(638)
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	(195,624)	26,579
(Increase) decrease in accounts receivable due from related parties	(11,192)	5,949
(Increase) decrease in other receivables	194,234	(132,070)
(Increase) decrease in inventories	73,380	(455,881)
(Increase) decrease in other current assets	51,972	(2,851)
(Increase) decrease in other non-current assets	2,593	2,802
Increase (decrease) in accounts payable	(46,201)	28,359
Increase (decrease) in other payables	(30,619)	(18,538)
Increase (decrease) in other current liabilities	(25,363)	(19,964)
Increase (decrease) on accrued pension liabilities	(79,003)	(64,877)
Increase (decrease) in other non-current liabilities	(8,190)	(13,233)
Cash generated from operations	933,836	317,662
Income tax paid	(146,907)	(23,466)
Interest received	12,896	19,478
Dividend received	73,322	65,216
Net cash generated from operating activities	873,147	378,890
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of intangible assets	(23,855)	(45,111)
Proceeds from disposal of financial assets at fair value through other comprehensive income	5,850	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	3,500	-
Proceeds from capital reduction of financial assets measured at cost	-	4,000
Acquisition of property, plant and equipment	(198,466)	(291,937)
Proceeds from disposal of property, plant and equipment	1,941	915
(Increase) decrease in refundable deposits paid	(9,864)	(900)
Net cash used in investing activities	(220,894)	(333,033)

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NUVOTON TECHNOLOGY CORPORATION AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash dividends	$ (518,886)	$ (498,131)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(6,478)	(29,524)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,889	(481,798)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,417,029	1,898,827
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,543,918	$ 1,417,029

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

1. GENERAL INFORMATION

Nuvoton Technology Corporation (the "Company") was incorporated in the Republic of China ("ROC") in April 2008 and commenced business in July 2008. The Company is engaged mainly in the research, design, development, manufacture, and sale of logic integrated circuits ("ICs") and the manufacturing, testing and OEM of 6-inch wafers.

For the specialization and division of labor and the reinforcement of core competitive ability, the Company's parent company, Winbond Electronics Corporation (WEC), spun off its Logic IC business into the Company on July 1, 2008 in accordance with the Business Mergers and Acquisitions Act and the Company commenced business in July 2008. WEC held approximately 61% of the ownership interest in the Company as of December 31, 2018 and 2017.

The Company's shares have been listed on the Taiwan Stock Exchange since September 27, 2010.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on February 1, 2019.

3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

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

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

   1) IFRS 9 "Financial Instruments" and related amendment

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

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

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

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

	Measured Items		Carrying Amount	
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 1,417,029	$ 1,417,029
Equity securities	Available-for-sale financial assets and financial assets measured at cost	Fair value through other comprehensive income (i.e. FVTOCI) - equity instrument	591,282	591,282
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	1,142,023	1,142,023
Refundable deposits paid	Loans and receivables	Amortized cost	71,571	71,571

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI						
- Equity instruments	$ -	$ 591,282	$ 153,511	$ 744,793	$ 493	$ 153,018
Add: From available-for-sale financial assets and financial assets measured at cost (IAS 39)	591,282	(591,282)	-	-	-	-
Total	$ 591,282	$ -	$ 153,511	$ 744,793	$ 493	$ 153,018

a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $226,224 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $153,018 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $493 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $493 thousand in retained earnings on January 1, 2018.

b) Notes receivable, accounts receivable, other receivables and refundable deposits paid that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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

3) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

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

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

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

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

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

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases agreements of lessor and lessee that will supersede IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

The Group will apply IFRS 16 retrospectively with the cumulative effect of the initial application recognized on January 1, 2019 but will not restate comparative information.

The Group as lessor

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

The Group subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 3,463	$ (3,463)	$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	-	577,763	577,763
Total effect on assets	$ 38,592	$ 539,171	$ 577,763
Lease liabilities - current	$ -	$ 99,733	$ 99,733
Lease liabilities - non-current	-	439,438	439,438
Total effect on liabilities	$ -	$ 539,171	$ 539,171
Retained Earnings	$ 1,426,005	$ -	$ 1,426,005

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Subsidiary included in consolidated financial statements:

Investor	Investee	Main Business	% of Ownership December 31 2018	% of Ownership December 31 2017
The Company	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100 (Note)	100
	Marketplace Management Limited ("MML")	Investment holding	100	100
	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
PCH	Nuvoton Technology Corporation America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provides projects for sale in China and repairing, testing and consulting of software	100	100
	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100

Note: PCH is proceeding with liquidation and legal procedure.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's foreign currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income.

Cash Equivalents

Cash equivalents consist of highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

Financial Instruments

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

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

a. Measurement category

   All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis, except derivative financial assets which are recognized and derecognized on settlement date basis.

   <u>2018</u>

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

   1) Financial asset at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

2) Financial assets at amortized cost

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

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

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

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

3) Investments in equity instruments at FVTOCI

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

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

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

2017

The categories of financial assets held by the Group are financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

1) Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

b. Impairment of financial assets

<u>2018</u>

At the end of each reporting period, the Group recognizes a loss allowance for expected credit losses ("ECL") for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For other financial assets when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to 12-month ECL. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to lifetime ECL.

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

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

2017

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

The objective evidence of impairment for trade receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, the information which correlates with default on receivables, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

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

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to another entity. Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss that had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

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

e. Dercognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

f. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. The cost of raw materials and supplies are recognized using moving average method and finished goods and work-in-process are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Inventories are stated at the lower of cost or net realizable value, and evaluated and recognized appropriate allowance for devaluation based on the amount of inventories and sales situation. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Property, Plant and Equipment

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

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

Depreciation is recognized using the straight-line method over the following estimated useful life after considering residual values: buildings 8-20 years, machinery and equipment 3-5 years and other equipment 5 years. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated 20 years useful life after considering residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized using the straight-line method over the following estimated useful life of the assets: Deferred technical assets - economic life or contract period and other intangible assets 3-5 years. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

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

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit or assets related to contract cost is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss is subsequently reversed, the reversed carrying amount does not exceed the carrying amount (reduce amortization or depreciation) that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Products Guarantee Based on Commitment

The Group would estimate guarantee provision by the appropriate ratio when the related product sold.

Revenue Recognition

2018

The Group identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognises revenue when (or as) the entity satisfies a performance obligation.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns are recognized at the time of sale based on the seller's reliable estimate of future returns; Liabilities for returns are recognized based on previous experience and other relevant factors. Sale of goods is recognized when the goods are delivered and the ownership of goods is transferred to the buyer.

Leasing

The lease terms of the Group does not transfer substantially all the risks and rewards of ownership to the lessee. All the leases are classified as operating lease. Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease period. Under operating lease, contingent rents payable arising are recognized as an expense in the period in which they are incurred.

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

Taxation

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

a. Current tax

   According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

   Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and it is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit.

   Deferred tax assets arising from deductible temporary differences associated with investments in subsidiaries are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Group's critical accounting judgments and key sources of estimation uncertainty are described below:

Valuation of Inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value is based on current market conditions and the historical experience from selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	2017
Cash and cash in bank	$ 1,420,618	$ 1,372,679
Repurchase agreements collateralized by bonds	123,300	44,350
	$ 1,543,918	$ 1,417,029

a. The Group has time deposits pledged to secure land leases and customs tariff obligations which are reclassified as "refundable deposits paid" as follows:

	December 31	
	2018	2017
Time deposits	$ 72,074	$ 62,213

b. The Group has time deposits which are not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables" as follows (Note 9):

	December 31	
	2018	2017
Time deposits	$ 145,654	$ 339,541

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Foreign exchange forward contracts	$ 763	$ 1,710

At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2018			
Sell forward exchange contracts	USD/NTD	2019.01.04-2019.02.21	USD17,000/NTD521,731
December 31, 2017			
Sell forward exchange contracts	USD/NTD	2018.01.05-2018.01.25	USD11,000/NTD329,070

The Group entered into forward exchange contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. The forward exchange contracts entered into by the Group did not meet the criteria for hedge accounting, therefore, the Group did not apply hedge accounting treatment for forward exchange contracts.

8. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Notes receivable	$ -	$ -
Accounts receivable		
At amortized cost		
Gross carrying amount	1,017,582	810,766
Less: Allowance for impairment loss	(20,499)	(16,388)
	$ 997,083	$ 794,378

2018

The average credit period of sales of goods was 30-60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the financial department annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group estimates expected credit losses based on past due days. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

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

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

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	50%	
Gross carrying amount	$ 1,004,975	$ 12,607	$ -	$ -	$ -	$ 1,017,582
Loss allowance (lifetime ECL)	(20,246)	(253)	-	-	-	(20,499)
Amortized cost	$ 984,729	$ 12,354	$ -	$ -	$ -	$ 997,083

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1 (IAS 39)	$ 16,388
Adjustment on initial application of IFRS 9	-
Balance at January 1 (IFRS 9)	16,388
Net remeasurement of expected credit loss allowance	3,855
Effect of exchange rate changes	256
Balance at December 31	$ 20,499

2017

The Group applied the same credit policy in 2018 and 2017. Allowance for doubtful accounts is based on estimated uncollectable amounts determined by reference to the aging of receivables, past dealing experience with the counterparties and an analysis of their respective financial positions.

The aging of accounts receivable was as follows:

	December 31, 2017
Not overdue	$ 723,029
Overdue under 30 days	36,623
Overdue 31-90 days	-
Overdue 91 days and longer	-
	$ 759,652

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

	For the Year Ended December 31, 2017
Balance at January 1	$ 16,743
Provision (reversed)	66
Effect of exchange rate changes	(421)
Balance at December 31	$ 16,388

The Group’s provision losses on accounts receivable were recognized on a collective basis.

9. OTHER RECEIVABLES

	December 31	
	2018	2017
Time deposits (Note 6)	$ 145,654	$ 339,541
Business tax refund receivable	26,477	26,325
Others	9,266	10,379
	$ 181,397	$ 376,245

10. INVENTORIES

	December 31	
	2018	2017
Raw materials and supplies	$ 123,949	$ 86,115
Work-in-process	1,062,207	1,128,123
Finished goods	342,307	338,558
Inventories in transit	32,475	81,522
	$ 1,560,938	$ 1,634,318

a. As of December 31, 2018 and 2017, the allowance for inventory devaluation was $329,049 thousand and $297,684 thousand, respectively.

b. The operating cost for the years ended December 31, 2018 and 2017 was $6,127,054 thousand and $5,502,875 thousand, respectively. The cost of goods sold included inventory write-downs and obsolescence and abandonment of inventories in the amounts of $44,388 thousand and $33,349 thousand for the years ended December 31, 2018 and 2017, respectively.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, - 2018

Equity instruments at FVTOCI:

	December 31, 2018
Domestic listed and emerging stocks	
Nyquest Technology Co., Ltd.	$ 120,209
Brightek Optoelectronic Co., Ltd.	341
Non-listed stocks	
United Industrial Gases Co., Ltd.	396,000
Yu-Ji Venture Capital Co., Ltd.	22,733
	$ 539,283

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost under IAS 39. Refer to Note 3, Note 12 and Note 13 for information relating to their reclassification and comparative information for 2017.

In 2018, the Group sold part of its shares of Nyquest Technology Co., Ltd. based on the fair value amounted to $5,850 thousand in order to manage its investment concentration risk, and it transferred $3,228 thousand from other equity to retained earnings, refer to Note 19 for related information.

The Group recognized dividend income $73,322 thousand for the year ended December 31, 2018. To elaborate, the amount related to investments derecognition for the year ended December 31, 2018 was $648 thousand. The amount related to investments held at the end of the year was $72,674 thousand for the year ended December 31, 2018.

12. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Domestic listed investment (Note 11)	
Nyquest Technology Co., Ltd.	$ 289,789

13. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-listed investment (Note 11)	
United Industrial Gases Co., Ltd.	$ 280,000
Brightek Optoelectronic Co., Ltd.	493
Yu-Ji Venture Capital Co., Ltd.	21,000
	$ 301,493

Management believed that the above non-listed traded investments held by the Group have fair value that cannot be reliably measured because the range of reasonable fair value estimates was so significant and various estimates cannot be reasonably estimated; therefore, they were measured at cost less impairment at the end of reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31 2018	December 31 2017
Land and buildings	$ 198,813	$ 182,637
Machinery and equipment	393,283	354,819
Other equipment	105,821	85,040
Construction in progress and prepayments for purchase of equipment	-	20,167
	$ 697,917	$ 642,663

	Land and Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost					
Balance at January 1, 2018	$ 3,608,264	$ 11,443,998	$ 394,138	$ 20,167	$ 15,466,567
Additions	41,376	146,815	13,272	16,222	217,685
Disposals	-	(185,617)	(55,991)	-	(241,608)
Reclassified	23	797	35,762	(36,582)	-
Effect of foreign currency exchange differences	-	(2,721)	(5,991)	193	(8,519)
Balance at December 31, 2018	3,649,663	11,403,272	381,190	-	15,434,125
Accumulated depreciation and impairment					
Balance at January 1, 2018	3,425,627	11,089,179	309,098	-	14,823,904
Disposals	-	(185,121)	(55,800)	-	(240,921)
Depreciation expenses	25,200	107,917	26,188	-	159,305
Reclassified	23	-	(23)	-	-
Effect of foreign currency exchange differences	-	(1,986)	(4,094)	-	(6,080)
Balance at December 31, 2018	3,450,850	11,009,989	275,369	-	14,736,208
Carrying amounts at December 31, 2018	$ 198,813	$ 393,283	$ 105,821	$ -	$ 697,917
Cost					
Balance at January 1, 2017	$ 3,471,902	$ 11,543,130	$ 358,143	$ 35,795	$ 15,408,970
Additions	101,379	107,067	38,563	20,132	267,141
Disposals	(750)	(206,554)	(2,351)	-	(209,655)
Reclassified	35,733	-	62	(35,795)	-
Effect of foreign currency exchange differences	-	355	(279)	35	111
Balance at December 31, 2017	3,608,264	11,443,998	394,138	20,167	15,466,567
Accumulated depreciation and impairment					
Balance at January 1, 2017	3,404,613	11,192,725	285,465	-	14,882,803
Disposals	(750)	(206,547)	(2,081)	-	(209,378)
Depreciation expenses	21,764	102,851	25,869	-	150,484
Effect of foreign currency exchange differences	-	150	(155)	-	(5)
Balance at December 31, 2017	3,425,627	11,089,179	309,098	-	14,823,904
Carrying amounts at December 31, 2017	$ 182,637	$ 354,819	$ 85,040	$ 20,167	$ 642,663

15. INVESTMENT PROPERTIES

	December 31	
	2018	2017
Investment properties	$ 50,527	$ 56,278

The investment properties are located in Shenzhen, China. As of December 31, 2018 and 2017, the fair value of such investment properties was both approximately $200,000 thousand, by reference to neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2018	$ 104,460
Effect of foreign currency exchange differences	(2,127)
Balance at December 31, 2018	102,333
Accumulated depreciation and impairment	
Balance at January 1, 2018	48,182
Depreciation expenses	4,696
Effect of foreign currency exchange differences	(1,072)
Balance at December 31, 2018	51,806
Carrying amount at December 31, 2018	$ 50,527
Cost	
Balance at January 1, 2017	$ 105,650
Effect of foreign currency exchange differences	(1,190)
Balance at December 31, 2017	104,460
Accumulated depreciation and impairment	
Balance at January 1, 2017	43,977
Depreciation expenses	4,641
Effect of foreign currency exchange differences	(436)
Balance at December 31, 2017	48,182
Carrying amount at December 31, 2017	$ 56,278

16. INTANGIBLE ASSETS

	December 31	
	2018	2017
Deferred technical assets	$ 144,044	$ 202,634
Other intangible assets	710	978
	$ 144,754	$ 203,612

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2018	$ 1,020,816	$ 4,057	$ 1,024,873
Additions	27,986	105	28,091
Disposals	-	(535)	(535)
Effect of foreign currency exchange differences	(5,613)	(69)	(5,682)
Balance at December 31, 2018	1,043,189	3,558	1,046,747
Accumulated amortization and impairment			
Balance at January 1, 2018	818,182	3,079	821,261
Disposals	-	(535)	(535)
Amortization expenses	86,446	361	86,807
Effect of foreign currency exchange differences	(5,483)	(57)	(5,540)
Balance at December 31, 2018	899,145	2,848	901,993
Carrying amounts at December 31, 2018	$ 144,044	$ 710	$ 144,754
Cost			
Balance at January 1, 2017	$ 984,710	$ 4,103	$ 988,813
Additions	33,609	-	33,609
Effect of foreign currency exchange differences	2,497	(46)	2,451
Balance at December 31, 2017	1,020,816	4,057	1,024,873
Accumulated amortization and impairment			
Balance at January 1, 2017	728,184	2,689	730,873
Amortization expenses	87,819	414	88,233
Effect of foreign currency exchange differences	2,179	(24)	2,155
Balance at December 31, 2017	818,182	3,079	821,261
Carrying amounts at December 31, 2017	$ 202,634	$ 978	$ 203,612

17. OTHER PAYABLES

	December 31	
	2018	2017
Payable for salaries or employee benefits	$ 399,259	$ 415,638
Payable for royalties	99,273	85,909
Payable for purchase of equipment	70,133	50,914
Payable for software	55,363	19,634
Others	254,301	302,847
	$ 878,329	$ 874,942

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries in the United States, Hong Kong, Israel and China are members of local state-managed defined contribution plan. The Group contributes a specified percentage of employees' payroll to the retirement fund. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. In 2018 and 2017, the Company contributed amounts equal to 15% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Company has no right to influence the investment policy and strategy.

The payables for employee turnover of NTIL are calculated on the basis of the length of service and the last monthly salary under a defined benefit plan.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 1,282,657	$ 1,248,983
Fair value of plan assets	(988,230)	(942,876)
Net defined benefit liability	$ 294,427	$ 306,107

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	$ 1,194,714	$ (842,676)	$ 352,038
Service cost			
Current service cost	34,105	-	34,105
Net interest expense (income)	29,618	(16,465)	13,153
Others	4,257	(4,834)	(577)
Recognized in profit or loss	67,980	(21,299)	46,681

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Actuarial (gain) loss - difference between the discount rate and the realized rate of return	$ -	$ 4,585	$ 4,585
Actuarial (gain) loss - changes in financial assumptions	44,912	(22,347)	22,565
Actuarial (gain) loss - experience adjustments	(4,942)	(3,262)	(8,204)
Recognized in other comprehensive income	39,970	(21,024)	18,946
Contributions from the employer	-	(109,984)	(109,984)
Plan assets paid	(59,959)	59,561	(398)
Liabilities extinguished on settlement	(1,276)	-	(1,276)
Effect of foreign currency exchange difference	7,554	(7,454)	100
Balance at December 31, 2017	1,248,983	(942,876)	306,107
Service cost			
Current service cost	31,010	-	31,010
Net interest expense (income)	25,773	(15,991)	9,782
Others	(3,692)	3,189	(503)
Recognized in profit or loss	53,091	(12,802)	40,289
Remeasurement			
Actuarial (gain) loss - the discount rate more (less) than the realized rate of return	-	(13,703)	(13,703)
Actuarial (gain) loss - changes in financial assumptions	3,748	15,497	19,245
Actuarial (gain) loss - experience adjustments	60,878	903	61,781
Recognized in other comprehensive income	64,626	2,697	67,323
Contributions from the employer	-	(109,539)	(109,539)
Plan assets paid	(56,637)	55,135	(1,502)
Settlement of pension liabilities	(8,060)	-	(8,060)
Effect of foreign currency exchange difference	(19,346)	19,155	(191)
Balance at December 31, 2018	$ 1,282,657	$ (988,230)	$ 294,427

(Concluded)

The amounts recognized in profit or loss in respect of these defined benefit plans were as follows:

	For the Year Ended December 31	
	2018	2017
Analysis by function		
Operating costs	$ 6,932	$ 7,833
Selling expenses	105	96
General and administrative expenses	5,334	6,714
Research and development expenses	27,918	32,038
	$ 40,289	$ 46,681

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the debt investments of the plan assets.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	2017
Discount rate(s)	1.25%-3.58%	1.50%-4.68%
Expected rate(s) of salary increase	1%-2%	1%-2%

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

	December 31	
	2018	2017
Discount rate(s)		
0.25% increase	$ (28,655)	$ (29,625)
0.25% decrease	$ 31,173	$ 33,284
Expected rate(s) of salary increase		
0.25% increase	$ 29,060	$ 30,320
0.25% decrease	$ (26,038)	$ (26,839)

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

	December 31	
	2018	2017
The expected contributions to the plan for the next year	$ 117,978	$ 121,702
The average duration of the defined benefit obligation	9.4-13.17 years	9.8-13.46 years

19. EQUITY

a. Share capital

	December 31	
	2018	2017
Authorized shares (in thousands)	300,000	300,000
Authorized capital	$ 3,000,000	$ 3,000,000
Issued and paid shares (in thousands)	207,554	207,554
Issued capital	$ 2,075,544	$ 2,075,544
Par value (in New Taiwan dollars)	$ 10	$ 10

As of December 31, 2018 and 2017, the balance of the Company's capital account amounted to $2,075,544 thousand, divided into 207,554 thousand ordinary shares at a par of NT$10.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to capital*		
Additional paid-in capital	$ 63,485	$ 63,485
May not be used for any purpose		
Employee share options	13	13
	$ 63,498	$ 63,498

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, it can be distributed in cash or transferred to capital (limited to a certain percentage of the Company's paid-in capital and once a year).

c. Retained earnings and dividend policy

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "Articles"), if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in previous years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the difference between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) and shall be used by the Company's Board of Directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for bonus to shareholders. In principle, not less than 10% of the total shareholders bonus shall be distributed in form of cash. For the policies on distribution of employees' compensation and remuneration to directors, refer to Note 22 "Employee benefits expense".

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

The appropriations of the Company's earnings for 2017 and 2016 had been approved in the shareholders' meetings on June 12, 2018 and June 14, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Year 2017	For Year 2016	For Year 2017	For Year 2016
Legal reserve	$ 68,813	$ 61,316		
Cash dividends	518,886	498,131	$2.50	$2.40
	$ 587,699	$ 559,447		

The appropriations of the Company's earnings for 2018 had been approved in the Board of Directors' meeting on February 1, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 71,063	
Cash dividends	518,886	$2.50

The appropriations of earnings for 2018 will be presented for approval in the shareholders' meeting to be held on June 24, 2019.

d. Other equity items

1) The exchange differences arising on translation of foreign operations' net assets from its functional currency to the Group's presentation currency (New Taiwan dollar) are recognized directly in other comprehensive income. As of December 31, 2018 and 2017, other comprehensive loss was $10,370 thousand and $29,445 thousand, respectively.

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	379,242
Balance at January 1, 2018 (IFRS 9)	379,242
Recognized for the year	(196,160)
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings due to disposal	(3,228)
Balance at December 31, 2018	$ 179,854

3) Unrealized gain (loss) on available-for-sale financial assets

	Amounts
Balance at January 1, 2018 (IAS 39)	$ 226,224
Adjustment on initial application of IFRS 9	(226,224)
Balance at January 1, 2018 (IFRS 9)	$ -
Balance at January 1, 2017	$ 83,348
Unrealized gains (losses) on revaluation of available-for-sale financial assets	142,876
Balance at December 31, 2017	$ 226,224

20. REVENUE

Refer to Note 32 for the Group's revenue.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
In respect of the current year	$ 102,725	$ 113,083
Adjustment for prior years' tax and effects of estimated difference	41,220	(14)
Deferred income tax		
In respect of the current year	(3,658)	(1,771)
Effect of tax rate changes	(12,000)	-
Income tax expense recognized in profit or loss	$ 128,287	$ 111,298

b. Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2018	2017
Income tax expense from continuing operations at the statutory rate	$ 167,031	$ 143,973
Tax effect of adjustment item		
Permanent differences	(27,964)	(22,102)
Tax-exempt income	(14,000)	(10,000)
Others	17,658	21,212
Additional income tax on unappropriated earnings	8,149	1,967
Current income tax credit	(48,149)	(21,967)
Current income tax	102,725	113,083
Deferred income tax	(15,658)	(1,771)

(Continued)

	For the Year Ended December 31	
	2018	2017
Adjustment for prior year's income tax	$ 23	$ (14)
Adjustment for prior year's income tax assessed by the authorities	41,197	-
Tax expense recognized in profit or loss	$ 128,287	$ 111,298

(Concluded)

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the shareholders meeting haven't resolved the appropriation of earnings for 2018, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

c. Current tax assets and liabilities

	December 31	
	2018	2017
Tax refund receivable	$ 2,361	$ 2,184
Income tax payable	$ 84,963	$ 88,934

d. Deferred income tax assets

	December 31	
	2018	2017
Deferred income tax assets		
Allowance for inventory valuation and obsolescence loss and others	$ 109,790	$ 95,318

e. Information about unused tax-exemption

As of December 31, 2018, profit attributable to the following expansion projects was exempted from income tax for a five-year period:

Expansion of Construction Project	Tax-Exemption Period
Advanced integrated circuit design	2014-2018

f. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

g. Information about investment credits

The Company applies the Statute for Industrial Innovation Article 10, and up to 10% of its R&D expenses may be credited against the profit-seeking enterprise income tax payable in each of the three years following the then current year.

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION AND AMORTIZATION

	For the Year Ended December 31							
	2018				2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Employee benefits expense								
Short-term employment benefits	$ 727,045	$ 1,861,539	$ -	$ 2,588,584	$ 725,076	$ 1,799,438	$ -	$ 2,524,514
Post-employment benefits	31,212	140,475	-	171,687	32,121	139,810	-	171,931
Depreciation	97,217	62,088	4,696	164,001	95,807	54,677	4,641	155,125
Amortization	33,330	53,477	-	86,807	33,294	54,939	-	88,233

To be in compliance with the Company Act, the Company stipulated to distribute employees' compensation and remuneration to directors at the rates no less than 1% and no higher than 1%, respectively, of profit before income tax, employees' compensation, and remuneration to directors.

The employees' compensation and remuneration to directors for 2018 and 2017 which have been approved in the Board of Directors' meetings on February 1, 2019 and January 26, 2018, respectively, were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Employees' cash compensation	$ 50,428	6	$ 49,360	6
Remuneration of directors	8,405	1	8,227	1

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. There was no difference between the actual amounts of employees' compensation and remuneration to directors and supervisors paid and the amounts recognized in the financial statements for the year ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration to directors resolved by the Company's Board of Directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. EARNINGS PER SHARE

The numerators and denominators used in calculating basic and diluted earnings per share ("EPS") were as follows:

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2018			
Net profit	$ 710,633		
Basic EPS			
Earnings used in the computation of basic EPS	710,633	207,554	$ 3.42
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	1,270	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 710,633	208,824	$ 3.40

(Continued)

	Amounts (Numerator)	Shares (Denominator) (In Thousands)	EPS (NT$)
For the year ended December 31, 2017			
Net profit	$ 688,133		
Basic EPS			
Earnings used in the computation of basic EPS	688,133	207,554	$ 3.32
Effect of potentially dilutive ordinary shares			
Employee's compensation	-	771	
Diluted EPS			
Earnings used in the computation of diluted EPS	$ 688,133	208,325	3.30

(Concluded)

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted EPS, as the effect is dilutive. The number of shares used in the computation of diluted EPS is estimated by the amount of compensation divided by the closing price of the potential common shares at the end of the reporting period. Such dilutive effect of the potential shares was included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

24. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration, and the lease term will expire in December 2027, but can be extended after the expiration of the lease.

The Company leased land from Taiwan Sugar Corporation under a twenty-year term from October 2014 to September 2034, which can be extended after the expiration of the lease. The chairman of the Company is a joint guarantor of such lease; please refer to Note 27.

The Group leased some of offices in the United States, China, Israel, India and Taiwan, and these leases will expire between 2020 and 2026, but can be extended after the expiration of the lease periods.

As of December 31, 2018 and 2017, deposits paid under operating leases amounted to $36,168 thousand and $36,221 thousand, respectively.

b. Prepayments for lease obligations

	December 31	
	2018	2017
Current (recorded as "other current assets")	$ 3,463	$ 3,445
Non-current (recorded as "other non-current assets")	35,129	37,510
	$ 38,592	$ 40,955

Prepaid lease payments include Taiwan Sugar Corporation's land use right, which is located in Tainan.

c. Lease expense

	For the Year Ended December 31	
	2018	2017
Lease expenditure	$ 108,879	$ 109,315

The Group as Lessor

Operating lease agreements

Operating leases relate to the leasing of investment property with lease terms of 3 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2018 and 2017, refundable deposits received under operating leases amounted to $2,137 thousand and $2,181 thousand, respectively (recorded as "other non-current liabilities").

25. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, research and development expenses, debt repayments and dividends payments.

26. FINANCIAL INSTRUMENT

a. Categories of financial instruments

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 1,543,918	$ 1,543,918	$ -	$ -
Notes and accounts receivable	934,777	934,777	-	-
Accounts receivable due from related parties	62,306	62,306	-	-
Other receivables	152,446	152,446	-	-
Refundable deposits paid	81,435	81,435	-	-
Loans and receivables				
Cash and cash equivalents	-	-	1,417,029	1,417,029
Notes and accounts receivable	-	-	743,264	743,264
Accounts receivable due from related parties	-	-	51,114	51,114
Other receivables	-	-	347,645	347,645
Refundable deposits paid	-	-	71,571	71,571

(Continued)

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets at FVTPL				
Derivative financial instruments	$ 763	$ 763	$ 1,710	$ 1,710
Financial assets at FVTOCI	539,283	539,283	-	-
Available-for-sale financial assets	-	-	289,789	289,789
Financial assets measured at cost, non-current	-	-	301,493	301,347
Financial liabilities				
Measured at amortized cost				
Accounts payable	888,700	888,700	934,901	934,901
Other payables	874,820	874,820	871,525	871,525
Guarantee deposits (recorded in other non-current liabilities)	37,906	37,906	44,482	44,482
Long-term contract payable (recorded in other non-current liabilities)	-	-	10,551	10,551

(Concluded)

b. Fair value information

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

   a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

   c) Level 3 inputs are unobservable inputs for the asset or liability.

2) Fair value measurements recognized in the consolidated balance sheets

   a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed shares and emerging shares).

   b) The fair value of the financial instruments at fair value through profit or loss is based on Level 2 inputs, either directly or indirectly. The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

c) Domestic unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

3) Financial instruments that are not measured at fair value

Management believes the carrying amounts of financial assets and financial liabilities that are not measured at fair value recognized in the financial statements approximate their fair values.

4) Fair value of financial instruments that are measured at fair value on a recurring basis

	December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 763	$ -	$ 763
Financial assets at FVTOCI				
Domestic listed and emerging securities	$ 120,550	$ -	$ -	$ 120,550
Domestic unlisted securities	$ -	$ -	$ 418,733	$ 418,733

	December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL				
Derivatives	$ -	$ 1,710	$ -	$ 1,710
Available-for-sale financial assets				
Domestic listed equity securities	$ 289,789	$ -	$ -	$ 289,789

5) Fair value of financial instruments that are not measured at fair value

	December 31, 2017				
	Carrying Amount	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at cost					
Domestic emerging equity securities	$ 493	$ -	$ 347	$ -	$ 347

The emerging securities held by the Group were determined as active market, and were transferred from Level 2 to Level 1 this year.

c. Financial risk management objectives and policies

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the Board of Directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

a) Foreign currency risk

The Group is engaged in foreign currency transaction and thus it is exposed to the risk of changes in foreign currency exchange rates. The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and assuming an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against the relevant currency, there would be impact on net income in the amounts of $4,077 thousand and $2,429 thousand decrease for the years ended December 31, 2018 and 2017, respectively. The amounts included above for a 1% weakening of New Taiwan dollars against the relevant currency is without considering the impact of hedge contracts and hedged item.

b) Interest rate risk

Interest rate risk refers to the risk that the change in market value will influence the fair value of financial instruments. The Group's interest rate risk arises primarily from floating rate deposits.

As of December 31, 2018 and 2017, the carrying amount of the Group's floating rate deposits with exposure to interest rates was $108,266 thousand and $8,319 thousand, respectively.

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivative instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the year ended December 31, 2018 and 2017 would have increased by $1,083 thousand and $83 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In this regard, the management of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,763,520	$ -	$ -	$ 1,763,520

	December 31, 2017			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 1,806,426	$ 10,551	$ -	$ 1,816,977

26. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Winbond Electronics Corporation ("WEC")	Parent company
Winbond Electronics (HK) Limited ("WEHK")	Associate
Winbond Electronics Corporation America ("WECA")	Associate
Winbond Electronics Corporation Japan ("WECJ")	Associate
Techdesign Corporation	Associate
Callisto Holding Limited	Associate
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2018	2017
1) Operating revenue		
Related party in substance	$ 247,388	$ 232,397
Associate	85,611	100,912
	$ 332,999	$ 333,309
2) Purchase		
Parent company	$ 103,274	$ 164,475
3) Selling expenses		
Associate	$ 667	$ 670

	For the Year Ended December 31	
	2018	2017
4) General and administrative expenses		
Related party in substance	$ 10,538	$ 10,538
Parent company	7,818	20,724
Associate	664	670
	$ 19,020	$ 31,932
5) Research and development expenses		
Associate	$ 6,798	$ 6,875
Parent company	453	9,106
	$ 7,251	$ 15,981
6) Other income		
Related party in substance		
Nyquest	$ 15,898	$ 13,635

	December 31	
	2018	2017
7) Accounts receivable due from related parties		
Related party in substance	$ 44,298	$ 33,546
Associate	18,008	17,568
	$ 62,306	$ 51,114
8) Other receivables		
Parent company	$ 347	$ 745
Associate	343	307
	$ 690	$ 1,052
9) Refundable deposits paid		
Related party in substance	$ 1,722	$ 1,722
10) Accounts payable to related parties		
Parent company	$ 15,700	$ 24,174
11) Other payables		
Parent company	$ 3,215	$ 3,006
Associate	249	-
	$ 3,464	$ 3,006

	December 31	
	2018	2017
12) Guarantee deposits		
Parent company	$ 545	$ 545
Associate	-	151
	$ 545	$ 696

Sales and purchase of goods with related party were conducted under normal prices and terms. The trading conditions of other related party transactions were resolved between the Company and related party.

c. Guarantee

As of December 31, 2018 the chairman of the Company is a joint guarantor of the land-lease from Taiwan Sugar Corporation. Refer to Note 24.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employment benefits	$ 74,644	$ 82,043
Post-employment benefits	2,728	3,573
	$ 77,372	$ 85,616

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

28. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

As of December 31, 2018 and 2017, amounts available under unused letters of credit were approximately US$180 thousand and US$254 thousand, respectively.

30. SUBSEQUENT EVENTS

In January 2019 Microchip Technology Inc. (Listed Company in United States) filed a first Amended Complaint in the District Court for the District of Delaware. Microchip alleges that the Company and NTCA infringe Microchip’s patents. The case is still in its initial stage, and its impact on the Company is uncertain for the moment.

31. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

	December 31					
	2018			2017		
	Foreign Currencies (Thousand)	**Exchange Rate (Note)**	**New Taiwan Dollars (Thousand)**	**Foreign Currencies (Thousand)**	**Exchange Rate (Note)**	**New Taiwan Dollars (Thousand)**
Financial assets						
Monetary items						
USD	$ 31,623	30.715	$ 971,292	$ 27,775	29.76	$ 826,589
ILS	12,398	8.1494	101,037	11,707	8.5791	100,433
EUR	83	35.2	2,905	13	35.57	470
Financial liabilities						
Monetary items						
USD	17,674	30.715	542,864	18,753	29.76	558,087
ILS	12,365	8.1494	100,770	13,725	8.5791	117,745
EUR	536	35.2	18,868	152	35.57	5,396

Note: Foreign currencies are exchanged to New Taiwan dollars and displayed as a rate.

The total of realized and unrealized net foreign exchange gains and losses was a net gain of $20,475 thousand and a net loss of $3,894 thousand for the years ended December 31, 2018 and 2017, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions of the group entities.

32. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group’s reportable segments under IFRS 8 “Operating Segments” were as follows:

a) General IC product segment general IC product

The general IC product segment engages mainly in research, design, manufacturing, sale and after-sales service.

b) OEM wafer product segment

The OEM wafer product segment engages mainly in research, design, manufacturing and sale.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

The following was an analysis of the Group's revenue from continuing operations by reportable segments.

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2018	2017	2018	2017
General IC products	$ 8,117,960	$ 7,364,114	$ 869,894	$ 768,149
OEM wafter products	1,901,899	1,853,824	617,940	659,386
Total of segment revenue	10,019,859	9,217,938	1,487,834	1,427,535
Other revenue	20,362	17,444	13,782	13,334
Operating revenue	$ 10,040,221	$ 9,235,382	1,501,616	1,440,869
Unallocated expenditure				
Administrative and supporting expense			(398,485)	(407,029)
Sales and other common expenses			(348,472)	(320,277)
Total operating profit			754,659	713,563
Interest income			12,105	13,197
Dividend income			73,322	65,216
Other gains and losses			7,516	5,380
Gains (losses) on disposal of property, plant and equipment			1,254	638
Foreign exchange gains (losses)			20,475	(3,894)
Gains (losses) on financial instruments at fair value through profit or loss			(30,411)	5,331
Profit before income tax			$ 838,920	$ 799,431

c. Geographical information

The Group operate mainly in Asia, the United States and Europe.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments and deferred income tax assets) by location are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	2017	2018	2017
Asia	$ 9,598,222	$ 8,816,462	$ 899,763	$ 912,090
United States	144,201	169,507	29,538	29,159
Europe	135,310	123,796	-	-
Others	162,488	125,617	-	-
	$ 10,040,221	$ 9,235,382	$ 929,301	$ 941,249

d. Major customer information

Individual customer which exceeded 10% of the Group's operating revenue for the years ended December 31, 2018 and 2017 was as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	%	Amount	%
Client V	$ 2,662,123	27	$ 2,018,438	22
Client C	1,097,428	11	964,426	10
	$ 3,759,551	38	$ 2,982,864	32