

CATCHER TECHNOLOGY CO., LTD
2018 Annual Report

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This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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<http://mops.twse.com.tw>

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Luxembourg Stock Exchange, code EMTF

Disclosed information can be found at BLOOMBERG Website

6. Webpage of the Company

<http://www.catcher-group.com>

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APPENDIX 2 、 FINANCIAL STATEMENT AUDITED BY ACCOUNTANT DURING THE MOST RECENT FISCAL YEAR

One · Letter to Shareholders

Dear Shareholders,

Relations of international trade becomes tenser. As US enter into rise of interest rate and rise of protectionism, subsequent development of UK after Brexit, etc., major sovereignties and economies around the globe encounter different turmoil. Overall, as regional politics remained unstable, global economies face impacts to a certain extent, which leads to volatility and seasonality more than ever, making management of a business more challenging. Despite the circumstances of disadvantages, Catcher still managed to record a strong growth in 2018. 2018 Revenue reached NT\$95.4bn, up 2.3% yoy from NT\$93.3bn in 2017, reaching another historical high.

In 2018, under the ever-changing market status, Catcher attempted to take a more practical and more diversified orientation in terms of management model and technology development, and stabilized its position on the market; in terms of product line, new wearable devices are added to reinforce Catcher's role in the supply chain as well as to showcase the breakthrough from the existing product line; In terms of performance, by continuous enhancements of automation and execution, Catcher continues to perform above-industry financial results.

Catcher, as the leading global brand in the structure component, has the most complete process matrix capability, client bases, and production line. In the long term, Catcher still sees the growth trend in the industry, and will continue to utilize its diversified material, process, innovation, production techniques, vertical integration, leading automation, the best cost structure, and high sales scale, to raise the entry barriers of the structure component industry, and reinforce the leading position in the market.

Looking forward to 2019, owing to the variables of global circumstances, Catcher will commence another growth driver based on the current solid operation. In addition to increasing revenue contribution from existing projects, we will implement active introduction of new products, models and new customers and products. With the planning of multiple channels, we will utilize our edge and position as the growth momentum for short, middle and long term.

Industry Development and Outlook

In this competitive smart device industry, innovation, quality, and value are still the focuses of brand customers. In smartphone, notebook, and tablet PC, companies with mid-high end products still enjoy higher earnings than peers. Hence, brand customers are adding mid-high end products" portion, at the same time increasing shipment. With this trend, we see rising adoption rate of high-end metal and composite material. Clients continue to enhance level of complexity, and develop new surface treatment technologies with casing suppliers, which contribute to the high customization, high complexity, high degree of difficulties of casing production. Catcher continues to fully utilize various materials, different process, the best execution, and mass production capabilities, to deliver the best result for clients.

Although there are numerous number of material and process on the market, only metal can provide this best-in-class quality, structure, and intensity. In the high-end structure component, metal structure components possess the most complete supply chain, and best cost structure for mass production. Metal plus unibody process can provide high quality, lightness, thinness, and firmness, which cannot be replaced by other material or process. Besides, metal is a green material, which can be fully recycled for the best benefit of the globe. The large capacity requirement, along with the features mentioned above, we see a more predictable trend for material, process, and design in casing sector. For the mid-high end products, metal is still the best solution. Either aluminum, or stainless steel; the whole casing or frame design, belongs to the definition of "unibody", and is the main product and competitive advantage of Catcher.

In 2018, many global smartphone brands continued release of smartphones with the design of frame plus glass cover. This design didn't diminish the importance of metal, but actually enhance its position in the case industry, due to the thinner design, higher strength and higher complexity. This

corresponded to Catcher's consistent review on the predictability in material and process of structure component.

Financial performance

The consolidated revenue of the Catcher Group in 2018 was NT\$95.4billion. The consolidated gross profit margin of the group was 40%. The consolidated net profit after tax was NT\$27.972 billion, and the basic earnings per share was NT\$36.31.

Operation Results (Group)

Unit: in thousand NTD

Item	2018		2017	
	Amount	%	Amount	%
Sales revenues	95,416,141	100%	93,295,960	100%
Gross Profit	38,624,196	40%	41,969,517	45%
Operating income	29,604,362	31%	33,433,242	36%
Income before tax	41,319,136	35%	32,745,218	35%
Net income	27,972,188	29%	21,843,250	23%

Profitability (Group)

Item		2018	2017
Return on assets		12%	12%
Return on equity		20%	19%
Percentage of capital	Operating income	384%	357%
	Income before tax	536%	423%
Net income to sales		29%	28%
EPS (NTD)		\$36.31	\$28.35

Research and Development

In order to maintain the company's leading position, we keep applying different materials, various composite materials, and materials with high strength, high stiffness, low electromagnetic shield and high RF penetration to develop more advanced technologies. These are our important work we've been practicing for years. By calling on its rich experience in basic material science and physical/chemical surface treatments, Catcher adopts different materials and different processes in combination with a variety of secondary processing and surface treatments in a multilayer, multi-directional approach to make products and an in-house technology with high precision, high value-added, and high mass production capacity.

The current directions in research and development include special magnesium alloys, aluminum alloys, stainless steel, carbon (glass) fiber, plastic casing, glass and other metal applied on products' casing and structural component, laser engraving of components, along with seamless welding, metal /plastic injection mold techniques, etching and multi-color surface treatment techniques, and high precision extrusion techniques for large metal casing in smartphones, carbon fiber composite panel, glass fiber composite panel, etc. Besides, the company also invests a lot of effort in extending into other niche products applying existing production technology for diversified planning for applied products.

As mobile devices adopt designs of high frequency, high speed and high computation, the 5G technology and heat dissipation are both important issues and also are the challenges as well as opportunities to Catcher and structure component manufacturers. Catcher will also invest in more resources for research development in this territory.

Business strategies

Catcher will also continue its investment in production automation, which has already contributed significantly to the production management for multiple years. Therefore, it is the key to enhance the production stability, productivity, and expand the capacity further while reducing the needs for human resource. In addition, we will aim to actively achieve human resource optimization and accumulate resources for progress. To boost the company's growth, we will continue our development of core products and technologies, expansion of new customers, and diversification of applications.

Catcher continues to expand its factories in Taiwan, Suqian, and Taizhou in 2018. The diversification and allocation of our facilities is also on going. We expect to achieve optimal allocation among three sites. Therefore, the risk of sole factory site and the impact from volatile market and operating environmental can be reduced.

Besides achieving business goals, Catcher also put efforts in Corporate Social Responsibility. Catcher formed a team focusing on corporate social responsibility, published corporate social responsibility report, invest in green energy, promote the investigation on greenhouse-gas, set goal of energy saving and carbon reduction, attended charitable activities, earned Sports Enterprise Certification, and enhanced the communication with stakeholders

Important sales policies

In terms of the outlook of the metal casing business: smartphones will grow significantly to replace the feature phones and will further penetrate into more markets and customers. We also see higher adoption rate of mid-high end smartphones, and expect smartphones to continue to be the largest growth driver in the next few years. We also see notebook brands lean toward the slim design and the adoption of tablets also indicates the trend of thin and light. Wearable devices also adopt metal casing design, and could be one of the growth drivers in the future. Overall, looking at the design trend of each consumer electronic device mentioned above, metal will be the best solution.

The commitment of the main customers in choosing the materials is getting higher. Catcher will also fully utilize its competitive advantages to continuously increase capacity at a steady pace to meet customers' demands and to gradually implement fastest manufacturing/sales support for the customers. In order to achieve instant customer services, sales, manufacturing, and R&D will be closer to the customers with the aim to progress at the same pace as the customers.

Effects of external competition, legislative environment, and macro environment

In terms of external competition, the gross profit in the IT electronics industry will be increasingly compressed as technology progresses in leaps and bounds and new products are being constantly launched. The general positive outlook of metal component parts is drawing a wave of new competitors, creating a significant amount of pressure on the existing businesses. However, competition is inevitable and serves to maintain positive catalyst among this industry. In order to ensure our leading position, the company pays close attention to the markets and technological development and changes by collecting and analyzing the information on different materials and manufacturing process. The objective is to reduce the impact of changes in technology while continuing to enhance advanced technologies. In addition to investing in basic material science, the company also reinforces development in different material molding as well as processing and surface treatments, enhances core R&D techniques, and diversifies its products and lift them onto higher levels to secure and stabilize profits. Excellent production techniques and huge capacity will be utilized to provide premium customer services in order to strengthen long term relationships.

With respect to the legislative environment in Taiwan and overseas, countries around the world

have been launching environmental protection laws regarding electronic products. In addition, the tier-1 brand customers set the high requirement on its suppliers' code of conduct and demand all of the vendors to comply strictly. The company has always been committed to environmentally friendly production processes and will undoubtedly meet the legislative requirements and keep up with the global trend. The company will continue to monitor, update, and comply with any new legislative implementation in order to protect the rights of the shareholders.

As the macro environment becomes more complex, the company will take into account the industry conditions and macroeconomics, and carefully evaluate and select the best strategies.

Business outlook and targets

Looking forward, the focus of development for Catcher will be on three segments: smartphones, tablets, and notebooks. We have entered into the contribution to wearable devices, which have already grown to a new market. It is expected that more wearable devices will hit the market, providing Catcher a new territory for expansion. We will continue to develop new products and new customers.

For smartphone market in 2018, IDC and Morgan Stanley indicated the shipment of smartphones was around 1.452 billion, down 1% y-y from 1.462 billion last year. IDC and Morgan Stanley also estimate the smartphone will increase to 1.485 billion units in 2019, up 2% y-y, and up 1% to 1.504 billion units in 2020. However, we expect 2019 to be a year of fiercer competition, and the overall needs on the smartphone market will become extremely challenging. High value-added and product differentiation will be the fundamental for tier 1 brands to expand market share, and the trend of producing metal casing with more complexity and higher difficulties in production also leads to the "bigger gets bigger" in the industry. Moreover, due to the trend of being larger screen size, thinner, lighter and fashions for smartphones, metal casing has become one of the must-have specifications no matter what kind of design. As a result, smartphones remain one of the main growth drivers for the Company.

For Notebook shipments of 2018 were 163.7 million, compared to 160.1 million units in 2017, increased by 2.0% y-y and the market generally stabilizes. IDC and Morgan Stanley also estimate that the NB will remain steady yoy to 163.7 million units in 2019 and remain steady to 163.8 million in 2020. Overall notebook market has become stable after years of comparably higher decline, and tier 1 manufacturers have entered the trend of enhancing specifications, resulting in increase of the penetration rate of metal casing. In addition, Catcher also expects growth momentum of NB products under the trend of heightened design specification.

IDC and Morgan Stanley indicated the shipment of Tablet PC in 2018 was around 150 million units, compared with 163.8 million in 2017, down by 8%. IDC and Morgan forecasts that tablet will decrease 8% each year to 138/127.4 million units in 2019/2020. Following the trend of large-sized smartphones become the mainstream and serve as alternative to partial small-sized tablet PC users, however, due to the launch of large-sized tablet PC and the fever of 2-in-1 products, tablet PC penetrates the new market. Compared to notebook, tablet is more convenient and thus it requires higher strength and better outlook. Also, high-end brands have significant needs for metal components. Therefore, tablet will continue to be one of the important products for metal casing vendors.

Looking ahead into 2019, as a result of effects by global economy and political circumstances, the promising market scale of mobile devices cannot be expected, therefore, Catcher will adopt a more cautious and stable strategy to reinforce the existing market while actively extend its product line to increase the growth momentum in the future.

Catcher will continue to uphold its philosophy of Innovative Technology, Customer Services, Honesty and Integrity, and Sustainable Development, and work toward the goal of becoming a world leader in light metals technology. The company will also remain committed to product innovation, business model optimization, production technology enhancement, and cost structure

improvement in order to maintain the leading position. Hence, it does not matter how the business environment changes in the future, we have the ambition, confidence, and determination to achieve our goals and create maximum value for our customers, shareholders, and employees.

Chairman Shui-Shu Hung



Manager Tien-Szu Hung

Accounting Manager Mei-Hsin Chen

Two 、Corporate Profile

1. Date of Incorporation: November 23, 1984

2. Milestones

- 1984: Located in No. 60, lane 77, Hai-zhong street, Tainan city with initial capital of NTD2 million, Catcher began to develop aluminum alloy casting parts for hard drives.
- 1986: Increased NTD3 million capital in cash and paid-in capital totaled NTD5 million. Commenced mass production for hard drives to supply Micro Science Technology, the largest hard drive manufacturer in Taiwan, and began to develop magnesium alloy die casting technologies.
- 1987: Magnesium alloy die casting technology developed smoothly, and Catcher received the first order from Prime Company for 5 1/4" floppy drive reading/writing arm.
- 1988: The Company's products quality was highly accepted by customers, and in order to enlarge business size, the Company decided to buy a new land in Yung Kang Industrial Park of 4,958.55 square meters, for building new plants and equipments.
- 1989: Moved in No. 79, Huan-Gong road, Yong-Kang city, Tainan County, and procured our first hot chamber die casting machine from a German manufacturer to produce magnesium alloy reading/writing arms for hard drives. This mentioned above high-tech machine has even attracted Japanese casting companies' attentions and visited the Company purposely. In the same year, the Company purchased Toshiba's aluminum alloy die casting machine, 800 tons, and vacuum casting equipments to produce the aluminum alloy casting parts and components. The Company then exported to Japan the aluminum alloy casting parts, which could stand high temperatures up to 400°C .
- 1990: Increased NTD10 million capital in cash, and paid-in capital totaled NTD15 million. Aggressively developed foreign markets by attending trade exhibitions, included in the USA, Canada, Japan, Germany, Belgium, and Netherlands, to seek for potential customers. The Company's foreign orders of magnesium alloy casting parts were used in mobile phone, and the extremely matured technology became our major competitive advantage internationally.
- 1991: Improve the quality of die casting parts, the Company applied Switzerland vacuum casting technology to its products and achieved very satisfied results. The Company started to export hard drive chassis and casings to Singapore this year, and due to product's high quality, sales orders were piling up.
- 1992: Cash offering of NT\$10 million, and paid-in capital totaled NT\$25 million. The Company gradually established its reputation in the foreign market, and the Company's superior technology and product quality had placed it on international hard drives manufacturers' approved vendor lists, too. The Company's matured mass production technology in producing précised die casting parts attracted a great many foreign price quotation requirements.
- 1994: Cash offering of NT\$15 million, and paid-in capital totaled NT\$40 million. The Company was accredited with ISO 9002 from DNVI and started to cooperate with Acer Inc., one of the largest PC brand names manufactures in Taiwan, to develop notebook PC components made by magnesium alloys casting parts.
- 1995: Cooperated with Acer Inc., to develop notebook PC components made by magnesium alloys casting parts.

- 1996: Paid-in capital totaled NTD80 million, after re-capitalization from retained earnings and surplus of NTD20 million in June, respectively. The Company introduced Taiwan first Magnesium alloy chassis for NB at that time, and offered outstanding thermal and EMI solution to notebook PC manufacturers.
- 1997: Increased the paid-in capital to NTD192 million, through cash offering of NTD80 million, and NTD32 million of retained earnings, in April and June, respectively. The Company was accredited with ISO 9001 from BVQI; meanwhile, and its board of directors submitted an IPO proposal on account of company's expanding business scale and funds needs, also officially registered the Company's name as "Catcher Technology Co., Ltd.". The Company received approval from SFC later, and went public this year.
- 1998: Procured magnesium alloy casting machines, 500 tons and 200 tons, in May and November, respectively, procured 22 CNC processing machines from May to November, and added 7 more roast-and-plate production lines at the end of the year. Together with the procurements of mentioned above equipments, and to fulfill the growing needs of expanding capacity, the Company again bought in two buildings from court-auction market, which located at No. 5, Huan Gong Road and No. 12, Jung Zhong Road, Yung Kong City. Increased the paid-in capital to NTD 327,030 thousand, through capitalization of NTD 134,400 thousand of retained earnings and NTD630 thousand of employee bonus shares in December. Meanwhile, two new directors and one supervisor were elected; the newly elected supervisor was a delegate from China Development Industrial Bank, a new institutional investor by holding 7.81% outstanding shares of the Company, totaling 1.5M shares in October.
- The Company mapped out the Company's Enterprise Resource Planning to streamline operation in the late of this year, and was accredited with COMPAQ and DELL in relative business fields. Obviously, all of the mentioned above actions benefited the Company in terms of increase productivity and strengthen globalization.
- 1999: To meet the expanding production capacity, the Company added 10 more magnesium alloy die casting machines at the end of October, including 500 tons, 315 tons, and 200 tons, respectively, purchased 20 CNC processing machines in June, and acquired in 1 new plant in July.
- Capitalized NTD133,512 thousand from retained earnings (included employee bonus of NTD 2,700 thousand) in April, and cash offering of NTD100,000 thousand (2 million shares at a premium NTD50 per share) in May; the paid-in capital totaled NTD 480,542 thousand .The Company's shares traded on the ROC over-the-counter market on November 1, 1999.
- 2000: After cash offering of NTD80,000 thousand (8,000 thousand shares), paid-in capital totaled to NTD560,542 thousand; net proceeds of NTD1,320,000 thousand from the mentioned above cash offering plan, at a premium of NTD165 per share.
- Again, increased the paid-in capital to NTD844,413 thousand from retained earnings NTD 283,871 thousand (included NTD3,600 thousand of employee bonus shares), in June. Signed proprietary contract of "reciprocating extrusion process" with National Chin Haw University for licensing this special patent in our 3C, aerospace, and optic products, to improve and innovate the magnesium alloy, and basic magnesium alloy materials. As for the capacity expansion, the Company procured 6 debarring remover machines (from August to December), 35 sets of die casting and polishing robots, 1 high speedy process machines, and 4 computer softwares for mold flow dynamic series analysis. In order to widen our operation space and business scale, we again decided to rent 72,725.4 square meter of land from Taiwan Sugar Co. to build up Ren-Ai main manufacturing base and locate equipments and machines. The Company made every effort to achieve world leading technique as well as the unique global vertical integrated process.
- 2001: In April, the Company procured cold magnesium die casting machine, 750 tons, 10 units of magnesium alloy casting machine, 125 tons, and 5 packs of coating robots, and die

casting robots, for enhancing company's current capacity.

In February, the Industrial Bureau of the Ministry of Economic Affairs approved our project of "Leading products development plan", given another evidence of our superior R&D ability in high-tech products. In July, the Company moved into our Ren-Ai plant with 72,725.4 square meters; the relocation of 5 consolidated facilities ensured the Company to lower the inter-facility's production failures, and shorten process cycle, as well as to increase the efficient usage of human resources in material and process, and reduced the costs of communication and transportation in between. After capitalization of NTD176,083 thousand (included NTD7,200 thousand of employee bonus shares), paid-in capital totaled NTD1,020,496 thousand. Furthermore, the Company became the listed stock company in TSE on Sep. 17, 2001. The Company was accredited with product certification from APPLE, MOTOROLA, LG, and SAMSUNG, received orders from international brand names, and produced massive volume in PDA and mobile phones' casings.

- 2002: In March, the Company issued its first secured corporate bond of NTD 700 million with a 2.795% annual coupon rate, defined the bonds as A, B, and C by issuance dates, and paid interests annually. The redemption will be available after the 3rd, 4th, and 5th anniversaries of the issue dates at a rate of 30%, 30%, and 40% of the bond principal.

Driven by increasing demand for developing products and expanding capacity, the Company procured hundreds of CNC process machines and 100 thousand grades clean room mobile phone plating equipment. At the same time, the Company extended business into producing desk-top computer chassis and casings, and received orders from international brand names with satisfied shipment situation. Moreover, our Suzhou base in China began to mass production.

In October, capitalization from retained earnings of NTD265,862 thousand (included NTD10,738 thousand of employee bonus shares) and surplus of NTD51,025 thousand, and paid-in capital totaled NTD1,337,383 thousand.

- 2003: In September, capitalization from retained earnings of NTD213,607 thousand (included NTD13,000 thousand of employee bonus shares), paid-in capital increases to NTD1,550,990 thousand. Issuance of ECB, accounting for USD 50 million.

- 2004: To be honored with "first-place award in the Integrated Operating Performance" of the Top 1,000 Taiwanese Corporations in China published by China Credit Information Service in conjunction with the Commercial Times.

In September, capitalization from retained earnings of NT\$325,598 thousand (included NT\$15,400 thousand of employee bonus shares), paid-in capital increases to NT\$1,876,588 thousand dollars.

In November, the convertible bond transferring to common shares amounted to US\$ 1,500 thousand, with the convertible price NT\$105. In total, the paid in capital achieved NT\$1,881,469 thousand including additional 488,100 common shares issuance.

The subsidiary in China ramped up the capacity, which significantly contributes to group business. Catcher invested in TOPO Technology (Suzhou) Co., Ltd. for the need of expansion in capacity.

- 2005: To be honored with the "most profitable Taiwanese corporation in China" and "third-place award" in the Integrated Operating Performance of the Top 1,000 Taiwanese Corporations in China published by China Credit Information Service in conjunction with the Commercial Times.

Capitalization from retained earnings of NT\$782,327 thousand (including NT\$29,740 thousand of employee bonus shares) in October and paid in capital increased to 2,821,616 thousand dollars. In addition, the Company issued Euro-convertible bond amounted USD 80,000 thousand. For the need of expansion in capacity and organization structure, Catcher invested in Aquila International (Suzhou) Co., Ltd. and off shore company GEMINI International Co., Ltd.

The subsidiary, Topo Technology (Suzhou) Co., Ltd. has started mass production and shipment.

- 2006: To be honored with “Forbes Asia”s 200 Best under a billion”.
 To be honored with “Number 19 on Asian BusinessWeek 50 Scoreboard”.
 To be honored with “Standard & Poor's Blue-Chip Stock”.
 Catcher invested in Meecca Technology (Suzhou) Co., Ltd. and in the meantime procured hundreds of CNC process machines and other production equipment as well as operating labors in the fourth quarter. In October, capitalization from retained earnings of NTD1,194,729 thousand (included NTD\$25,000 thousand of employee bonus shares) and in addition the Euro-Convertible bond has been transferred to common shares amounted 10,951 thousand shares and paid-in capital increased to NT\$4,141,365 thousand dollars.
- 2007: To be honored with “First-place award in the Top 10 Benchmark Corporation investing in China” and Second-place award in the “Most Qualified Overseas IPO of Top 10 Subsidiary Company in China” of the “Business Groups in Taiwan” published by China Credit Information Service.
 Capitalization from retained earning of NT\$1,274,442 thousand (including NT\$32,000 thousand of employee bonus shares) in October and paid in capital increased to NT\$5,415,917 thousand dollars. To integrate and reorganise the offshore investment structure and to ease the management, Cepheus International Co., Limited, Cygnus International Co., Limited, Lyra International Co., Limited, Uranus International Co., Limited were incorporated in Hong Kong and Castmate International Pte. Ltd., Norma International Pte. Ltd., Saturn International Pte. Ltd. were incorporated in Singapore.
- 2008: Capitalization from retained earning of NT\$581,242 thousand (including NT\$39,650 thousand of employee bonus shares) in November and paid in capital increased to NT\$5,997,159 thousand dollars.
 The Company bought in a building located at No. 500, section 2, Bentian Rd.
 To comply with the expansion plan of corporate operation and China’s preferential policy for foreign investment, Catcher set up Catcher Technology (Suqian) Co., Ltd. in China.
- 2009: The Company was accredited with ISO 14001 in September.
 Capitalization from retained earning in November. The paid in capital increased to NT\$6,649,085 thousand after the capitalization.
 Convertible bonds issued for NT\$ 5 billion in December.
 The Company invested in 100% owned subsidiaries in China for USD 93 million.
- 2010 Consolidated sales revenue was 21.8 billion. It achieved the highest record in the history. Focus on the Unibody Design of Smartphone business, expanded the CNC capacity, and became one of the leading casing company with meaningful CNC capacity.
 Catcher Technology (Suqian) started the mass production.
- 2011 Consolidated sales revenue was 35.9 billion, net profit was 10.67 billion. Both of sales revenue and net profit in 2011 were the record high.
 1st Global Depository Receipts (Issue Amount USD 220,028 thousand with 6,700,000 units) issued in 2011.
 2nd domestic unsecured convertible bonds (Total Amount NTD 4.5 billion) issued in 2011.
 2011 Job creation Contribution Award by Executive Yuan.
 2011 Taiwan’s Top 100 Innovative Corporate Award by Industrial Development Bureau of the Ministry of Economic Affairs
 2012 Taiwan’s Top 100 High Tech Corporate Award by Business Next Media Group.
 Capitalization for Catcher’s subsidiaries, such as Catcher Technology (Suqian), Catcher Technology (Suzhou), TOPO Technology, and Meecca Technology.
 Donations to Japan-Miyagi Prefecture for 311 Great East Japan Earthquake disaster area.

- 2012 Consolidated sales revenue was 37.0billion, and net profit was 10.89 billion. Both of the sales revenue and net profit in 2012 were the record high.
Catcher was ranked one of the 1,000 fastest growing companies in the world.
Catcher was ranked as No.5 of 2012 Taiwan Corporate Award & No. 3 of Top 10 the Best Profitable Company; No.10 of Top 10 Growth Corporate.
- According to the Group's development strategy, Catcher set up VITO Technology (Suqian) Co., Ltd. and Topo Technology (Taizhou) Co. Ltd. which were approved by the Investment Commission.
- 2013 Consolidated sales revenue was 43.2billion, and net profit was 13.8billion. Both of the sales revenue and net profit in 2013 hit the historical high.
Awarded the best international trades vendors in 2012 by the Bureau of Foreign Trade, MOEA
- 2014 Consolidated sales revenue was 55.2billion, and net profit was 17.8billion. Both of the sales revenue and net profit in 2014 hit another historical high.
According to the Group's development strategy, Catcher set up Arcadia Technology (Suqian) Co., Ltd., which was approved by the Investment Commission.
- 2015 Consolidated sales revenue was 82.4billion, and net profit was 25.1billion. Both of the sales revenue and net profit in 2015 hit historical high.
Forbes magazine voted Catcher technology as one of best top 50 corporations in Asia, the only one from Taiwan.
- 2016 2016 Consolidated sales revenue was 79.1 billion, and net profit was 22 billion. Both of the sales revenue and net profit in 2016 hit historical 2nd high.
Catcher's awarded by Ministry of Education for "2016 Sport corporation"
Harvard Business Review votes chairman of Catcher Technology as 3rd place of top 50 CEO in Taiwan, and 1st place in the computer peripheral sector.
Nikkei (Japan) voted Catcher technology as one of Top 300 Asian companies.
Catcher Is Awarded by (MIT) Management Institute in Taipei as Exelent Taiwanese Corporation in China
- 2017 2017 Consolidated sales revenue was 93.3 billion, which recorded another historical record-high.
For the Group's development strategy, Catcher set up Envio Technology (Suqian) Co., Ltd.
Catcher was awarded Forbes Global 2000 and ranked 178th in the growth company segment, and 51st in the global leading company segment
Catcher was ranked the 14th in the Nikkei Asia 300
To eco the "Green Power Program" hosted by the Ministry of Economic Affiars, Catcher voluntarily purchased and consumed 1,000,000 degrees of 2017 green power, which could reduce 528mt of CO2 emission.
- 2018 Nominated as 1000 High-Growth Companies Asia-Pacific by Financial Times in 2018
Catcher's 1st and 2nd plants in Tainan Technology Industrial Park have passed the Cleaner Production Assessment hosted by Industrial Development Bureau, MoEA.
Catcher was ranked the 14th in the Nikkei Asia 300
Catcher was awarded Forbes Global 2000 and ranked 188th in the growth company segment.
Catcher ranked 24th in Forbes Top 100 Digital Companies, 1st among Taiwanese companies.
2018 Consolidated sales revenue was 95.4 billion, which recorded another historical record-

high.

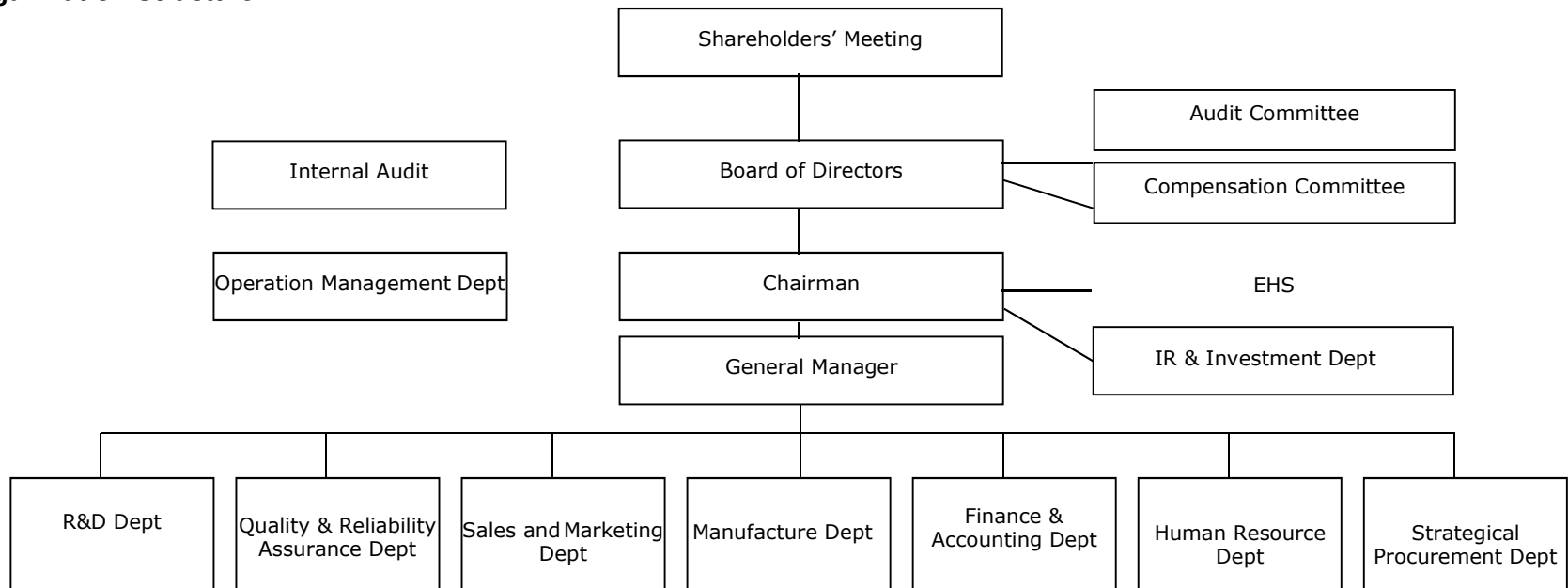
Awarded sport enterprise certificate by Sports Administration, MoE.

Awarded Top 20 Happiness Enterprise of Technology Industry by 1111 Job Bank.

Three 、 Corporate Governance Report

1. Corporate Organization

(1) Corporate Organization Structure



(2) Organization Functions:

- **Internal Audit:** Internal controls and operational processes auditing and monitoring
- **Operation Management:** Overall business management, strategy and standards establishment and evaluation.
- **R&D:** Technologies, techniques, and manufacture processes research and development.
- **Quality & Reliability Assurance:** Product inspection and quality assurance.
- **Sales and Marketing:** Product branding, marketing, sales and customer service.
- **IR & Investment:** Communicate with shareholders and investors, and corporate investment.
- **Manufacture:** Manufacture and processes in diversity module products.
- **Finance & Accounting:** Finance and accounting, investment, investors' relationship, and stock affair management.
- **Human Resources:** Human resource management and organization development.
- **Strategical Procurement:** Procurement strategy and vendor resources management.
- **EHS:** Company's Environment, Safety, and Health issues

2. Information Regarding Directors and Management Team

(1) Directors' Information

2019/02/28; Unit: share

Title	Nationality/ Country of Origin	Name	Gender	Date First Elected	Term (Yr)	Date Elected	Shareholding when Elected		Present Shareholding		Spouse& Minor Shareholding		Specific Person Shareholding		Education& Experience	Also Serves Concurrently as	Other Directors & Supervi spouse or immediate rel Directors & Supervi	
							Common Share	%	Common Share	%	Common Share	%	Common Share	%			Title	Name
Director	Taiwan	Shui-Shu Hung	Male	2013.06.13	3	2013.06.13	10,704,834	1.39%	10,704,834	1.39 %	18,409,961	2.39 %	-	-	Medical School / National Taiwan University Chairman of Catcher Technology	Chairman of Catcher Technology Chairman & Director representative of Catcher Technology's subsidiaries Chairman of Kai-Yi Investment Co., Ltd	Director	Tien-Szu Hung Shui-Sung Hung
Director	Taiwan	Tien-Szu Hung	Male	2013.06.13	3	2013.06.13	10,661,889	1.38%	10,661,889	1.38 %	15,364,013	1.99 %	-	-	Chairman of Chia-Wei Investment Co., Ltd.	General Manager of Catcher Technology Director Representative of Catcher Technology's subsidiaries Chairman of Chia-Wei Investment Co., Ltd.	Director	Shui-Shu Hung, Shui-Sung Hung
Director	Taiwan	Shui-Sung Hung	Male	2013.06.13	3	2013.06.13	10,278,970	1.33%	10,278,970	1.33 %	6,901	0%	-	-	Chairman of De-Neng Investment Co., Ltd.	Chairman of De-Neng Investment Co., Ltd.	Director	Shui-Shu Hung, Tien-Szu Hung
Director	Taiwan	Ming-Long Wang	Male	2013.06.13	3	2010.06.25	-	0%	-	0%	-	0%	-	-	Finance P.H.D. University of New York City	Director of Catcher Technology Professor of department of Accounting and Finance in National Cheng Kung University Independent Director and Compensation Committee Member of Chinesegamer International Corp. Independent Director and Compensation Committee Member of Bothand Enterprise Inc. Compensation Committee Member of Hanpin Electron Co., Ltd Independent Director and Compensation Committee Member of Ton Yi Industrial Corp. Compensation Committee Member of Chia Her Industrial Co., Ltd Independent Director and Compensation Committee Member of Kuei Meng International Inc.	-	-
Independent Director	Taiwan	Lih-Chyun Shu	Male	2013.06.13	3	2013.06.13	-	0%	-	0%	-	0%	-	-	Associate Professor of National Cheng Kung University Associate Professor of Chang Jung Christian University Dean of College of Information and Engineering in Chang Jung Christian University	Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology Professor of department of Accounting in National Cheng Kung University Director of Chang Jung Christian University	-	-
Independent Director	Taiwan	Mon-Huan Lei	Male	2013.06.13	3	2013.06.13	-	0%	-	0%	-	0%	-	-	Medical School / National Taiwan University Adjunct Instructor of National Taiwan University College of Medicine	Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology Assistant administrator of Lotung Poh-Ai Hospital	-	-
Independent Director	Taiwan	Wen-Jie Huang	Male	2016.05.19	3	2016.05.09	8,669	0%	8,669	0%	-	0%	-	-	Dept. of Architecture, Tamkang University Chairman, Huang Wen-Jie Architects Firm.	Chairman, Huang Wen-Jie Architects Firm. Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology	-	-

Directors' and Supervisors' Professional Knowledge and Independence Information

2019.02.28

Name	Five or more years of experience or professional qualification			Independence status (Note)										Number of companies also serves as independent director for
	Lecturer or above in business, law, finance, accounting or corporate business related fields	Qualification of justice, procurator, attorney, CPA, specialist or technician of national examination in corporate business related fields	Experience in business, law, finance, accounting or corporate business related fields	1	2	3	4	5	6	7	8	9	10	
Director Shui-Shu Hung	---	---	Yes	--	--	--	--	--	V	V	--	V	V	---
Director Tien-Szu Hung	---	---	Yes	--	--	--	--	--	V	V	--	V	V	---
Director Shui-Sung Hung	---	---	Yes	V	V	--	--	V	V	V	--	V	V	---
Director Ming-Long Wang	Yes	---	Yes	V	V	V	V	V	V	V	V	V	V*	---
Independent Director Lih-Chyun Shu	Yes	---	Yes	V	V	V	V	V	V	V	V	V	V	---
Independent Director Mon-Huan Lei	---	---	Yes	V	V	V	V	V	V	V	V	V	V	---
Independent Director Wen-Jie Hunag	---	---	Yes	V	V	V	V	V	V	V	V	V	V	---

Note: For those directors and supervisors who match the conditions listed below and two years before assuming period, "V" is marked in the appropriate space.

1. Is not an employee of the Company or its affiliates;
2. Is not a director or supervisor of the Company or its affiliates. Does not include the independent directors or supervisors in the parent companies and subsidiaries;
3. Does not directly or indirectly own more than 1% of the Company's outstanding shares, nor is one of the top ten non-institutional shareholders of the Company;
4. Is not a spouse or of immediate relation (child, parent, grandchild, grandparent, or sibling) to any person specified in the preceding three columns;
5. Is not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Company's issued shares, nor a director, supervisor or employee of the top five legal entities which are owners of the Company's issued shares;
6. Is not a director, supervisor, or manager of a company which has a business relationship with the Company, nor a shareholder who owns more than 5% of such a company;
7. Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with financial, business consulting, or legal services;
8. Is not a spouse or of immediate relation (child, parent, grandchild, grandparent, or sibling) to any of the directors;
9. Is not under any condition pursuant to Article 30 of the R.O.C. Company Law;
10. Is not a legal entity owner or its representative pursuant to Article 27 of the R.O.C. Company Law

(2) Managers' Information

2018/02/28; unit: shares

Title	Nationality/ Country of Origin	Name	Date Elected	Present Shareholding		Spouse& Minor Shareholding		Specific Person Shareholding		Education& Experience	Also Serves Concurrently as	Other Directors & Supervisors being spouse or immediate relation with Directors & Supervisors		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
General Manager		Tien-Szu Hung	2016.01.01	10,661,889	1.38%	15,364,013	1.99%	-	-	Chairman of Chia-Wei Investment Co., Ltd.	General Manager of Catcher Director Representative of Catcher's subsidiaries Chairman of Chia-Wei Investment Co., Ltd.	-	-	-
Vice President		Kenny Chien	2010.01.01	110	0.00%	0	0.00%	-	-	Graduate of Advanced Management Program(AMP)/Sloan School of Management, Massachusetts Institute of Technology EMBA/Fudan University Assistant Vice President / Dell Inc., Taiwan Vice President of Sales & Marketing Department of Catcher Technology	Supervisor representative of YueKang Heath management Co., Ltd	-	-	-
Vice President		James Wu	2010.03.01	0	0.00%	0	0.00%	-	-	MBA / Michigan State University Vice President of Finance and Accounting Division / Chunghwa Picture Tubes, Ltd Chief Investment Officer and Spokesman of Catcher Technology	Director representative of YueKang Heath management Co., Ltd	-	-	-
Senior Assistant Vice President		Lewis Huang	2014.04.01	0	0.00%	0	0.00%	-	-	Mechanism / National Chin-Yi University of Technology Factory Chief/ Catcher Technology Co., Ltd.	None	-	-	-
Assistant Vice President		Frank Lee	2007.11.01	0	0.00%	0	0.00%	-	-	Scientific PHD / Ching Hua University R&D manager / Catcher Technology Co., Ltd.	None	-	-	-
Assistant Vice President		Brian Lee	2005.02.01	0	0.00%	8,985	0.00%	-	-	Mechanism / National Taipei University of Technology R&D manager / Catcher Technology Co., Ltd.	None	AVP	Irene Lin	Spouse
Assistant Vice President		Irene Lin	2005.02.01	8,985	0.00%	0	0.00%	-	-	St. Cloud State MBA Sale & Marketing Magager/Catcher Technology	None	AVP	Brian Lee	Spouse
Assistant Vice President		Mei-Hsing Chen	2012.01.01	68,234	0.00%	0	0.00%	-	-	EMBA / Nan-Tai University Finance & Accounting Manager/Catcher Technology	Director representative of Epileds Tech., Inc. Director of Catcher Technology's Hong Kong subsidiaries	-	-	-
Associate General Manager		Yi-Fang Feng	2018.10.08	0	0.00%	0	0.00%	-	-	International Business / National Taiwan University Business Administration Master /	None	-	-	-

										National Taiwan University Synopsys Taiwan Co., Ltd. Inventec Group Associate General Manager of Business Dept. / Catcher Technology			
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(3) The Compensation of Directors, Supervisors, and Managers
A. Director's Compensation

2018/12/31; Unit: thousand NTD

Title	Name	Remuneration to directors								Total A,B,C, D as % of EAIT		Compensation for Concurrent Employees								Total A,B,C,D,E,F,G as % of EAIT		Remuneration received by investing business other than company subsidiaries
		Remuneration		Retirement pension		Remuneration from distributed earning		Business implementation expenses				Salary, bonuses and special expenses		Retirement pension		Employee compensation						
		(A)		(B)		(C)		(D)				(E)		(F)		(G)						
Chairman	Shui-Shu Hung	0	0	0	0	16,892	16,892	958	958	0.06%	0.06%	9,288	9,288	239	239	168,264	-	228,493	-	0.70%	0.91%	None
General Manager	Tien-Szu Hung																					
Director	Shui-Sung Hung																					
Director	Ming-Long Wang																					
Independent Director	Lih-Chyun Shu																					
Independent Director	Mon-Huan Lei																					
Independent Director	Wen-Jie Huang																					

*Directors' remuneration for services (e.g. non-employee consultant) to companies as stated in the financial statement in the most recent year in addition to the disclosed figures: None

Note1: The above mentioned Directors only include the incumbent Directors as of printing date.

Note2: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

Levels of Amounts of Compensation

Remuneration range for directors	Name of the directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
Less than NTD 2,000,000	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang
NTD 2,000,000(included) ~ 5,000,000 (excluded)				
NTD 5,000,000(included) ~ 10,000,000 (excluded)	Shui-Shu Hung/ Tien-Szu Hung/ Shui-Sung Hung	Shui-Shu Hung/ Tien-Szu Hung/ Shui-Sung Hung /	Shui-Sung Hung	Shui-Sung Hung
NTD 10,000,000(included) ~ 15,000,000 (excluded)				
NTD 15,000,000(included) ~ 30,000,000 (excluded)				
NTD 30,000,000(included) ~ 50,000,000 (excluded)				
NTD 50,000,000 ~ 100,000,000 (excluded)				
NTD 100,000,000 or More			Shui-Shu Hung / Tien-Szu Hung	Shui-Shu Hung / Tien-Szu Hung
Total				

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

B. Managers' Compensation

2018/12/31; Unit: thousand NTD

Title	Name	Salary (A)		Retirement (B)		Bonus and special expense (C)		Employee compensation from distributed earnings (D) (Note 1)				Total A,B,C,D as % of EAIT		Remuneration received by investing business other than company subsidiaries
		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher		All consolidated entities		Catcher	All consolidated entities	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
Chairman	Shui-Shu Hung	15,529	28,253	693	693	2,601	4,483	183,003	-	313,182	-	0.72%	1.24%	None
General Manager	Tien-Szu Hung													
Vice President	Kenny Chien													
	James Wu													
	Lewis Huang													
Vice President	Jay Tseng													
	Lawrence Kuo													
	Jodan Yang													
	Magic Liu													

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

Levels of Amounts of Compensation

Remuneration Range for General Manager and Vice Presidents	Name of GMs and Vice Presidents	
	Catcher	All consolidated entities
< NTD 2,000,000		
NTD 2,000,000(included)~5,000,000(excluded)		
NTD 5,000,000(included)~ 10,000,000(excluded)	James Wu/Lewis Huang	James Wu
NTD 10,000,000(included)~ 15,000,000(excluded)	Kenny Chien	Kenny Chien
NTD 15,000,000(included)~ 30,000,000(excluded)		Lawrence Kuo/Jay Tseng/Jordan Yang/Magic Liu
NTD 30,000,000(included)~ 50,000,000(excluded)		
NTD 50,000,000(included)~ 100,000,000(excluded)		
NTD 100,000,000 or more	Shui-Shu Hung/Tien-Szu Hung	Shui-Shu Hung/Tien-Szu Hung
Total		

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose

C. Managers' Compensation

2018/12/31; Unit: thousand NTD

	Title	Name	Stock dividends bonus Market value	Cash Compensation	Total	% of income after tax
Managers	Chairman	Shui-Shu Hung	0	200,179	200,179	0.72%
	General Manager	Tien-Szu Hung				
	Vice President	Kenny Chien				
	Vice President	James Wu				
	Senior Assistant Vice President	Lewis Huang				
	Assitant Vice President	Frank Lee				
	Assitant Vice President	Brian Lee				
	Assitant Vice President	Mei-Hsing Chen				
	Assitant Vice President	Irene Lin				
	Associate General Manager	Yi-Fang Feng				

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

(4) Comparison of Compensation of Directors and Managers in the Past Two Years

A. Analysis of remuneration as a percentage of income after tax for directors and managers.

Title	Item	% of income after tax				% of increase (decrease)	
		2018		2017			
		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities
	Director	0.79%	1.30%	1.16%	3.25%	-0.4%	-1.9%
	General Manager						
	Vice Presidents						

B. The Company's remuneration policy is according to the Company's development strategy and its personnel policy. The policy is set based on the industry standard. For the most recent two years, the remuneration to general manager and vice presidents includes salary, bonus, and employee compensation of distributed earnings. The salary and bonus are based on the Company's personnel policy. The employee compensation of distributed earnings is decided by the Board based on the annual earnings and profit distribution percentage which was approved by shareholders' meeting. As of the date of publish, the employee compensation of distributed earnings are yet to be approved by the AGM.

3. Corporate Governance Status

(1) Information of Board Meeting Operation

Number of meetings 6 (A) in the recent year, attendance of each director is listed as follows :

Title	Name	Attendance (B)	Proxy Attendance	Attendance rate (%) (B)/(A)	Remarks
Chairman	Shui-Shu Hung	6	0	100	Elected on 2016/5/19
Director	Shui-Sung Hung	6	0	100	Elected on 2016/5/19
Director	Tien-Szu Hung	5	1	83.33	Elected on 2016/5/19
Director	Ming-Long Wang	6	0	100	Elected on 2016/5/19
Independent Director	Lih-Chyun Shu	6	0	100	Elected on 2016/5/19
Independent Director	Mon-Huan Lei	5	1	83.33	Elected on 2016/5/19
Independent Director	Wen-Jie Huang	6	0	100	Elected on 2016/5/19

Annotations:

1. There were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion:

(1) Items as listed in Article 14-3 of Securities and Exchange Act: None.

(2) Other matters of board of directors meeting which independent directors expressed objection or qualified opinions and with records or statement in writing in addition to the said items: None

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Date of the meeting	Name of the Director	Item	Causes for avoidance and voting
2018.3.5	Shui-Shu Hung	Catcher's Board of Directors resolved to donate to Catcher Education Foundation	Director Shui-Shu Hung serves as Chairman of Catcher Education Foundation, and the resolution was approved by other attending directors of the board after avoidance by non-involvement in discussion and voting.
2018.8.6	Shui-Shu Hung Tien-Szu Hung Shui-Sung Hung	Catcher's Board of Directors resolved to donate to Catcher Education Foundation	Director Shui-Shu Hung and its second-degree relative shall conduct avoidance by non-involvement in discussion and voting. The resolution was approved by other attending directors of the board.
2018.8.6	Shui-Shu Hung Tien-Szu Hung Shui-Sung Hung	Catcher distributed 2017 annual manager's compensation	Directors Shui-Shu Hung and Tien-Szu Hung are managers of this Company and shall conduct avoidance by non-involvement in discussion and voting. The resolution was approved by other attending directors of the Board.
2019.3.6	Shui-Shu Hung Tien-Szu Hung Shui-Sung Hung	Catcher's Board of Directors resolved to donate to Catcher Education Foundation	Director Shui-Shu Hung and its second-degree relative shall conduct avoidance by non-involvement in discussion and voting. The resolution was approved by other attending directors of the board.

3. Measures taken to strengthen the functionality of the Board: We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, Catcher's Board of Directors has established a Compensation Committee on 2011/12/23 and an Audit Committee on 2013/06/13 to assist the Board in carrying out its various duties.

(2) Information Regarding Audit Committee's Operation

A. The state of Audit Committee's participation to the board meetings

Number of meetings 7 (A) during the period starting from Jan. 17 to Mar. 18, attendance of Audit Committee is listed as follows

Title	Name	No. of times attended in person (B)	No. of times attended by proxy	Attendance rate (%) (B)/(A)	Remark
Independent Director	Lih-Chyun Shu	7	0	100.00	Elected on 2016/05/19
Independent Director	Mon-Huan Lei	7	0	100.00	Elected on 2016/05/19

Independent Director	Wen-Jie Huang	7	0	100.00	Elected on 2016/05/19
<p>Other mentionable items:</p> <p>1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: None</p> <p>2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None</p> <p>3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)</p> <p>(1) The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.</p> <p>(2) The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.</p>					

(3) Corporate Governance Practices

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?		✓	The Company has not yet established the Corporate Governance Best-Practice Principles.	The Company has not yet established the Corporate Governance Best-Practice Principles but the related processes are inline with the principle.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓ ✓		(1) The Company has designated the spokesman / deputy spokesman/ IR and specific persons to handle shareholders' recommendations or issues (2) The Company keeps close relationship with key shareholders, who have management control of the Company, or those who have ultimate control of this company. IRO or shareholders' Stock affair specialists were appointed to follow up the change of shareholding status.	None
(3) Does the company establish and execute the risk			(3) Catcher has set up an "Affiliated Management Policy"	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓ ✓		which rules risk control mechanisms and firewalls between the Company and its affiliated. (4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	✓ ✓ ✓	 ✓	(1) The Board consist of 7 Directors, 3 out of whom are independent directors, with practical experience or teaching experience as professors in the universities. The independent directors also include accountants, professors of Accounting Department/business college. Member diversification is considered by the Board members. (2) In order for the sound supervision and reinforcement of management, the Company has established the Compensation Committee and the Audit Committee and will also establish other committees according to regulations or operational needs in the future. (3) The company has not yet established formulated rules and procedures for evaluating the Board’s performance (4) The Company evaluates the independence of CPAs periodically, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. Besides, there are also internal rotations to ensure the independence of the CPAs.	None
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and hareholders	✓		The company has assigned financial department to deal with corporate governace tasks. The company also arrange the personnel in charge of AGM, BOD meeting, committees and corporate governance matters.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
meetings, etc.				
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has assigned spokesperson, deputy spokesperson and investor relations specialist for immediate communication with stakeholders. The Company has also built a designated section on the website for stakeholders for all the issues they care about and a channel to get appropriate response. In addition, the Company publishes Corporate Social Responsibility Report every year, and provides an annual stakeholders’ survey, where the participants include employees, customers, suppliers, shareholders/investors, residents, governments, NPO/NGO, and media to better understand how much these stakeholders pay attention to the social responsibility issues. The Company could then take the feedback from the survey as reference and to achieve the goal of the expectation of the stakeholders.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates CTBC Bank to deal with shareholder affairs. The address is 5F, No. 83, Sec. 1, Chung Ching South Rd., Taipei City, Taiwan; phone number: 02-66365566. Website: http://www.ctbcbank.com.tw/	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	✓		(1) The Company has set up a Chinese/English website (www.catcher-group.com) to disclose information regarding the Company’s financials, business and corporate governance status. The Company also discloses other information according to the regulations requirement on MOPS website and thus investors may also refer to MOPS website for the Company’s financials, operational information and corporate governance.	None
(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓		(2) The Company has assigned an appropriate person (investor relations specialist) to handle information collection and disclosure, including English, Traditional Chinese, and Simplified Chinese) and established a spokesman system. Investor conference information is disclosed on the corporate website. The Company also holds or attend the analyst meeting/conference calls and the related information will be posted on MOPS or the Company’s website.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(1) Status of employee rights and employee wellness: Catcher commits itself to uphold the welfare of its employees complying with relevant regulations. Please refer to the “Employees” section on pages 66-67 of this annual report.</p> <p>(2) Catcher has appointed spokesman / deputy spokesman/ IRO to maintain fair relationship with our investors, provides contact information, releases operational reports periodically, and attends analysts meetings/conference calls to establish an immediate communication channel with our investors. Phone number: 02-27988000 #2812; website: www.catcher-group.com; email: IR@catcher-group.com</p> <p>(3) We value our suppliers and stakeholders as our assets and therefore sign contracts with our suppliers and customers to protect mutual rights and obligations and maintain a well relationship.</p> <p>(4) Stakeholders' protection: All stakeholders can have a smooth communication channel with the Company to secure their rights by email, phone, email and company website.</p> <p>(5) The status of Directors' training records: The Directors of the Company all have industry professions and practical experiences. In addition, the Company provides irregular training courses on different area, including financial, business operation or laws knowledge by their desire.</p> <p>(6) Status of risk management policies and risk evaluation: The Company holds Board Meetings at least once a quarter to supervise the operational status and risk management. Please refer to the “Risk Management” section on pages 86-87 of this annual report.</p> <p>(7) The Company has purchased D&O insurance for its directors and managers.</p> <p>(8) The Company has adopted electronic voting to enhance the information transparency to ensure the shareholders' right.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange Catcher was ranked in 51%~65% in Corporate Governance Evaluation in 2018. The implementation status regarding below non-scoring item: Whether the company's annual report and the website to disclose the list of major shareholders, including the proportion of more than five percent of the shareholders or equity ratio of the top ten shareholders, holding the amount and proportion? Catcher has disclosed the information in 2017 annual report on page 36 to expose top ten shareholders and expect to disclose this information on company web site in the near future.				

(4) Composition, Responsibilities and Operations of Compensation Committee

A. The Company has set up Compensation Committee on 2011/12/23 according to Article 14-6 of Securities and Exchange Act and Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter and established Compensation Committee Charter, which is disclosed on MOPS.

B. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Criteria Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Lih-Chyun Shu	V		V	V	V	V	V	V	V	V	V	0	
Independent Director	Wen-Jie Huang			V	V	V	V	V	V	V	V	V	0	
Independent Director	Mon-Huan Lei			V	V	V	V	V	V	V	V	V	0	

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

C. The state of Compensation Committee's participation to the board meetings

Number of meetings 3 (A) during the period starting from 2018/01 to 2019/03, attendance of Compensation Committee is listed as follows

Title	Name	No. of times attended in person (B)	No. of times attended by proxy	Attendance rate (%) (B)/(A)	Remark
Convenor	Lih-Chyun Shu	3	0	100.0	Re-elected on May 19 th , 2016
Member	Mon-Huan Lei	3	0	100.0	Re-elected on May 19 th , 2016
Member	Wen-Jie Huang	3	0	100.0	Re-elected on May 19 th , 2016
Other mentionable items : 1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None. 2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.					

(5) The Company's Policy and Efforts to be Socially Responsible

Evaluation Item	Implementation Status ¹			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation ²	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation	✓		(1) The Company has approved and announced the "Procedures for social responsibility management" in 2014 for the Company to implete corporation social responsibility. The procedure is established based on domestic and international regulations and the strategic directions of the Company. The procedure will be audited by internal auditors and be assessed the effects regularly.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		(2) The Company delivers the message regarding the importance and requirement of CSR to its employees through new employees' training sessions, employees' symposium, internal website, and the quarterly Board meetings and set the related fules in the "Procedures for social responsibility management."	

<p>(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?</p>	<p>✓</p>	<p>(3) The Company has established the CSR team, which includes the employees from strategic management, auditors, labor safety, human resources, strategic procurement, sales and marketing, investor relations department, in charge of the publish of CSR report and implementing the related CSR matters and report directly to the Chairman.</p>
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Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		(4) In addition to reasonable compensation system, the Company also established a new reward and disciplinary system based on the employee performance appraisal system which includes our corporate social responsibility policy as one of the most important criteria for evaluation.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company has promoted various projects such as energy saving, electronic forms, recycling of the dangerous waste product to enhance the efficiency of resources utilization. Besides, the Company also adopts QC 080000 system to decrease the dangers it may produce from the production process.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The Company has received ISO 14001 certifications for environmental management systems since 2009. Through promotion of ISO 14001, the Company has established effective monitoring management system to achieve the policy goal. In addition, in line with ISO 14001 concept of continuous improvement, the Company diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and the establishment of a safe and comfortable work place.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(3) The Company has monitored the impact to the operation brought by the climate change and has completed many energy-saving projects in 2015, where we see significant effects. Moreover, through the promotion of ISO 14064-1 carbon footprint project, the Company has calculated the greenhouse gas emissions from the main operational scope and planned for the follow-up plans to decrease the greenhouse gas emissions.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company has established internal policies as guidelines to ensure the labor rights and benefits. Through periodic internal audits and improvement, the Company aims to provide a friendly working environment for the employees and to protect the employees from every department under different hierarchies.	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) Catcher offers an Employee Relations Hotline that provides a channel for employees to express their opinions regarding their work and the overall work environment. The employee relations team ensures all cases are handled with care and the employees could get a reply on the follow-up actions within 7 days.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company has completed the certification of OHSAS 18001 in 2015 and therefore led the labor safety system even more complete. Based on the regulations of OHSAS 18001, we have established a management system on labor health and safety, which continuously evaluates and controls the risks in the working environment and follow up on improvement measures. Besides, in comply with the regulations, the Company provides the employees with regular health checkup and also holds regular training sessions to build a better working environment.	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) To ensure that employees’ opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. At the same time, efforts are made to ensure that employees are informed of current policies.	
(5) Does the company provide its employees with career development and training sessions?	✓		(5) Catcher not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The Company has always maintained its business concept to establish internal management process, in comply with government regulations and international standards to deal with clients’ complaints and demands there’s no cheating, misleading, fraud or any other behaviors that may harm clients’ rights or trust and take the measures to prevent the same issues to occur again.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) When labeling and advertising its products worldwide, Catcher consistently honors regional and national regulations (ex: UL, RoHS labeling) without misleading its customers by exaggerating the information provided.	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society			(8) The Company has required all of its suppliers to follow their commitments on CSR, which includes voluntary labors, underaged labors, compensation or benefits, working time, anti-discrimination, health and safety, environmental protection, and moral behaviors. The	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
before taking on business partnerships?	✓		Company has chosen 8 suppliers to audit its implementation on CSR based on customer portfolio and transaction scale during 2018. In the future, Catcher will continue to work on the suppliers’ audit.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) Catcher requires all the suppliers with transactions with us to sign the CSR commitment. When suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society, Catcher may terminate any agreements. The Company also established a stakeholders’ section on its website and provides contact windows for different issues. The Company also set up a section for “Employee Code of Conduct” for internal/external parties to report illegal actions regarding morality and integrity.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) There’s a CSR section on our website. http://www.catcher-group.com/tw/csr.aspx . The Company will disclose the information regarding the message, projects and activities on corporate social responsibility, the information on Catcher’ Education Foundation, and provides historical CSR reports for readers to download.	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established the “Procedures of social responsibility management” in 2014, which is inline with “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and international standards (ex: SA 8000, EICC). Therefore, the Company is able to meet the regulations and the requirement of the stakeholders in terms of labor rights, health and safety, environment, code of ethics, and management systems.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : The Company has established a CSR Team comprising of employees from various departments to be in charge of the publishing of CSR report. The Company has already issued 2014-2016’s CSR report on the website for stakeholders and the CSR Team is working on publishing the 2018’s CSR report. Looking forward, the Company expects every department to execute strategies based on the KPI which is conjunction with the social responsibility and to help realize the long-term vision of the Company.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company has received the certification of ISO 9001, ISO 14001, OHSAS 18001, IECQ QC 080000 and product carbon footprint of PAS 20150:2011 (for carbon fiber and glass fiber). 2014-2016’s CSR report hasn’t received the certification of third-party institutions; however, the financial data in the CSR report was from the audited annual report and we regard receiving the certification of our CSR report as a mid-term target.				

(6) The status of the Company's exercise of good faith in management and adoption of related measures:

Catcher already set up the related governance principle and have an internal audit department, and also formulated internal rules to ensure the exercise of

good faith in management and the observance of laws and regulations.

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has set up “Management Procedure for Corporate Social Responsibility”, according to EICC & SA 8000, as the guideline for all the other ethical corporate management policies. The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Related Ethical Corporate Management policies will be included in the Company’s CSR report and website.</p> <p>(2) The company has established management procedures to punish for any violation, and also set up “hotline” to strengthen the implementation. The internal Committee holds the review meeting semi-annually and reports to top management accordingly. The company also establishes effective accounting and internal control systems for the implementation of policies, and to prevent any violation. Suppliers also need to sign this Ethical Agreement to commit not to engage with any bribery, corruption, deception, and all other forms of improper conduct.</p> <p>(3) The Company adopts management procedures and to establish preventive measures against the following:</p> <p>(a) offering and accepting bribes;</p> <p>(b) illegal political donations;</p> <p>(c) improper charitable donations or sponsorship;</p> <p>(d) offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits.</p> <p>The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline. At the same time, the Company has internal audit teams and has made a hotline available for suppliers/ employees to prevent any improper business behaviors.</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company conducts due diligence before trading with upstream and downstream companies to minimize the risks. The Company requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or provide unethical conduct when dealing with the Company or our officers and employees. Internal and external online hotlines have been established for any relevant persons to use in reporting any ethical irregularities for personal investigation by a designated internal audit. Catcher has the right to suspend or discharge the agreement, or even punish suppliers, if suppliers violate the abovementioned rules.</p> <p>(2) The Company established the Internal Audit team, under the Board’s supervision, to implement the corporate ethics and audit matters, and to submit periodical reports to the top management and then to the Board of Directors.</p> <p>(3) To avoid interest of conflicts, the Company requires all employees not to engage with any unethical activities by setting rules and procedures. At the same time, the Company has made a hotline available for any stakeholders to make sure the ethical corporate management policies are fully implemented.</p> <p>(4) The Company has established accounting and internal control systems to ensure integrity in our operations. The internal auditors have analyzed and reviewed the annual audit program, on behalf of board and management, according to the risk evaluation results, to further strengthen the implementation of ethical corporate management policies.</p> <p>(5) The Company carries out irregular training for employees. For new employees, training on social responsibilities, ethical rules, business morals, and all other related subjects are carried out prior to work. All employees will receive necessary internal training when needed. Employee will also receive external training if necessary.</p>	None
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	<p>✓</p>		<p>(1) The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation with 7 days, anyone who violates the regulations on operational integrity will be</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p>		<p>punished according to the Company’s regulations on reward and punishment.</p> <p>(2) The Company has in place SOPs, relating to the reporting, investigation, filing etc., which could be applied on any confidential investigations on such cases. Those parties in those cases will be fully confidential.</p> <p>(3) The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated different ways or hotline for whistleblower protection. Any whistleblower who received unfair or unlawful treatment will be well protected and also compensated for the loss.</p>	
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company’s website and MOPS?</p>	<p>✓</p>		<p>The Company’s related ethical corporate management principles and the results of our implementation will be posted on the Company’s annual report and eventually on the MOPS. We will also disclose those related information on website, including ethical corporate management, obeying business morale, the commitment of fair competition and CSR report.</p>	None
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>There have been no differences.</p>				
<p>6. Other important information to facilitate a better understanding of the company’s ethical corporate management policies (e.g., review and amend its policies).</p> <p>(a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.</p> <p>(b) The Company has set up the “Rules of Board Meeting” to prevent any interest of conflicts from board members. The board member is only allowed to present opinion but not allowed to discuss or vote in those agenda which that board member has interest of conflicts</p> <p>(c) The Company has set up “Management Procedures for Internal Material Information”, which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.</p>				

(7) How the Information of Company’s Corporate Governance Policy can be Obtained in Public.

None.

(8) Other Information Provides a Better Understanding of the Company’s Corporate Governance Status.

The Company holds board meeting at least once per quarter, and set up the Compensation Committee, which works effectively. The Company also elected Independent Directors since 2013's AGM and established Audit Committee. If necessary, the Company will set up any committee to improve corporate governance.

(9) Status of Internal Control:

A. Statement of Internal Control:

**Catcher Technology Co., Ltd.
Statement of Internal Control**

2019/03/06

The internal control self-assessment of Catcher Technology Co., Ltd. was conducted for the year ended December 31, 2018 based on the Company's internal control system. The results are described as following:

1. Catcher Technology Co., Ltd. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. Catcher has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. Catcher evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) Control Environment, (2) Risk assessment (3) Control activities, (4) Information and Communication, and (5) Monitoring. Each component consists of certain items, which could be referred to the Standards.
4. Catcher Technology Co., Ltd. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. Catcher Technology Co., Ltd. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of Catcher Technology Co., Ltd. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on March 6th, 2019, with none of the seven attending directors expressing dissenting opinions on the content of the Statement.

Catcher Technology Co., Ltd.
Chairman and CEO : Shui-Shu Hung



B. CPA Audit Report for Internal Control System of the Company

The Company was not required to engage with a CPA to attest to the internal control system under R.O.C regulations; therefore, there is no CPA audit report on internal control to be disclosed

(10) Description of Violations/Infringement of Regulations and the Company's Response

For the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, there were no sanctions imposed upon the Company or its internal personnel.

(11) Important Resolutions of Shareholders' and Board Meetings

A. Shareholders' Meeting

Date	Title	Agenda	Resolution/Execution
2018.06.11	2018 Annual shareholders' meeting	<ul style="list-style-type: none">To accept 2017 Business Report and Financial Statements (Proposed by the Board of Directors)To approve the proposal for distribution of 2017 profits (Proposed by the Board of Directors)To amend "Articles of Incorporation" (Proposed by the Board of Directors)To approve the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR) (Proposed by the Board of Directors)	All discussion items were unanimously agreed upon the resolutions by all attending shareholders. All items were executed except for the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR)

B. Board Meetings

Date	Agenda	Resolution
2018.03.05	<ul style="list-style-type: none">To approve the Company's 2017 Financial StatementsTo approve 2017 Business ReportTo approve the proposal for distribution of 2017 profitsTo approve the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR)To distribute 2017 employee and board member's compensationTo donate to Catcher Education FoundationTo regularly review the accountant's independencyTo host 2018 shareholder's meeting and receive shareholder's proposals	All attending directors unanimously agreed, no other special proposals were proposed. Except for the donations excluding the Director who may have interest of conflict, the other attending directors unanimously agreed. All items were executed.
2018.04.30	<ul style="list-style-type: none">To amend "Articles of Incorporation"To host 2018 shareholder's meeting and receive shareholder's proposals	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.
2018.05.05	<ul style="list-style-type: none">To resolve annual auditor fees.	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.
2018.08.06	<ul style="list-style-type: none">To decide cash dividend distribution dateTo distribute 2017 manager's compensationTo distribute 2017 board member's compensationTo donate to Catcher Education Foundation	All attending directors unanimously agreed, no other special proposals were proposed.
2018.11.06	<ul style="list-style-type: none">To approve 2019 Business PlanTo approve 2019 "Annual Audit Plan" of parent company and subsidiary	Except for the donations excluding the Director who may have interest of conflict, the other attending directors unanimously agreed.
2019.03.06	<ul style="list-style-type: none">To approve the Company's 2018 Financial StatementsTo approve 2018 Business ReportTo report 2018 earnings distributionTo approve the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR)To submit for approval of directors (including independent director) candidates nominated by the BoardTo remove non-compete limitations to newly elected directors and its representatives.	All attending directors unanimously agreed, no other special proposals were proposed. Except for the donations excluding the Director who may have interest of conflict, the other attending directors unanimously agreed.

	<ul style="list-style-type: none"> ● To amend partial clauses of “Articles of Incorporation” ● To amend partial clauses of “Rules of Shareholders’ Meeting” ● To amend partial clauses of “Procedures of Acquisition or Disposal of Assets” ● To amend partial clauses of “Rules of Board Meeting” ● To amend partial clauses of “Measures for Subsidiaries Management” ● To report the distribution of compensation for employees and directors in 2018 ● To discuss the donation to Catcher Education Foundation ● To regularly review the accountant’s independency ● To host 2019 shareholder’s meeting and receive nomination of directors (including independent director) candidates and shareholder’s proposals 	All items were executed.
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(12) Directors' or Supervisors' Objections on the Important Resolution of Board Meetings

None.

(13) Information of Resignation or Dismissal of Persons Related to Financial Reports

None.

4. Information on Audit Fees

- (1) If the amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches to 25% of the Company's annual auditing expenses shall be disclosed**

Name of the accounting Firm	Name of the accountant	Audit period	Note
Deloitte & Touche	Chi Chen Lee, Chun Chi Kung	2018.01.01~2018.12.31	Internal Arrangement by Deloitte & Touche

Units: thousand NTD

Item Fee ranges		Audit Fees	Non Audit Fees	Total Fees
1	Less Than 2,000		v	
2	2,000~4,000			
3	4,000~6,000	v		
4	6,000~8,000			v
5	8,000~10,000			
6	10,000 or More			

Accounting Firm Name	Auditor Name	Audit Fees	Non Audit Fees					Audit Period
			System Design	Business Registration	Human Resources	Others (Note)	Subtotal	
Deloitte & Touche	Chi Chen Lee	5,600	-	-	-	1,593	7,193	2018.01.01~2018.12.31
	Chun Chi Kung							

Note: Mainly transfer pricing service fee

- (2) If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed**

Not Applicable.

- (3) Auditing expenses decreased by 15% in comparison to the previous year, information regarding the amount percentage and reasons for the decrease in auditing expenses shall be disclosed:**

Not Applicable.

5. Replacement of CPA

Not Applicable.

6. Information of the Company's Chairperson, Presidents, or Accounting Officers Have Worked in the Accounting Firm of the Appointed Independent Auditors or the Related

Parties within the past year.

None.

7. Change in shareholding of Directors, Managers, and Major Shareholders

(1) Change in Equity Interest

Record Date: 2019.02.28

Title	Name	2018		As Of 2019/02/28	
		Change in Equity Interest	Pledge in Equity Interest	Change in Equity Interest	Pledge in Equity Interest
Chairman	Shui-Shu Hung	0	0	0	0
General Manager	Tien-Szu Hung	0	0	0	0
Director	Shui-Sung Hung	0	0	0	0
Director	Ming-Long Wang	0	0	0	0
Independent Director	Mon-Huan Lei	0	0	0	0
Independent Director	Lih-Chyun Shu	0	0	0	0
Independent Director	Wen-Jie Huang	0	0	0	0
Vice President	Kenny Chien	0	0	0	0
Vice President	James Wu	0	0	0	0
Senior Assistant Vice President	Lewis Huang	0	0	0	0
Assistant Vice President	Brian Lee	0	0	0	0
Assistant Vice President	Irene Lin	0	0	0	0
Assistant Vice President	Frank Lee	0	0	0	0
Assistant Vice President	Mei-Hsing Chen	0	0	0	0
Manager	Yi-Fang Feng	0	0	0	0

(2) Information on Transfer of Equity Interest

None.

(3) Information on Pledge of Equity Interest

None.

8.Information Disclosing the Relationship Between any of the Company's Top Ten Shareholders.

Record Date: 2018/09/24

Name	Personal Shareholding		Shareholdings of spouse/minor children		Total shareholdings held under other names		Related parties defined under the statement of financial accounting standards No. 6 of top 10 largest shareholders"		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kai-Yi Investment Co., Ltd.	19,099,869	2.48%							
Delegate:Shui-Shu Hung	10,704,834	1.39%	18,409,961	2.39%			Chen-Mei Lin/Tien-Szu Hung/Sui-Mei Kuo	Spouse/Second-degree relatives/Second-degree relatives	
Citi as directed trustee Government of Singapore Investment Corporation	18,787,494	2.44%							
Chen-Mei Lin	18,409,961	2.39%	10,704,834	1.39%	-	-	Shui-Shu Hung/Tien-Szu Hung/Sui-Mei Kuo	Spouse/Second-degree relatives/Second-degree relatives	
HSBC in custody for The Overlook Partners Fund L.P.	18,300,000	2.38%							
Standard Chartered Dunbei Branch in custody for Fidelity Investment Account	18,096,000	2.35%							
JPMorgan Chase Bank custody Investment account for Central Bank of Saudi Arabia	16,697,000	2.17%							
Sui-Mei Kuo	15,364,013	1.99%	10,661,889	1.38%			Tien-Szu Hung/Shui-Shu Hung/Chen-Mei Lin	Spouse/Second-degree relatives/Second-degree relatives	
Nanshan Life Insurance Co., Ltd.	13,231,000	1.72%							
Standard Chartered Dunbei Branch in custody for Fidelity Investment Account	12,765,000	1.66%							
JPMorgan Chase Bank in custody for ABP Pension Investment Account	12,552,230	1.63%							

Note: The data shown above was gathered until the latest ex-registered date.

9. Total Percentage of Ownership of Investees

All the Company's investments are directly invested. There is no such issue that the Company's directors, managers, and other direct or indirect controlled entities by the Company comprehensively held the investment companies' shares.

Four 、 Capital and Shares

1. Capital and Shares

(1) Source of Capital

A. Type of Shares

Unit: in thousand shares
2019/02/28

Type of shares	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered Common Shares	770,391	229,609	1,000,000	Listed stocks

B. Historical Information of Capitalization

Unit: in thousand NTD/shares

Date	Issue Price (NTD)	Authorized Shares		Paid-in Capital		Notes		
		Shares	Total Amount	Shares	Total Amounts	Source of Capital	Assets Other than Cash Used for Capital	Other
1984.11	1,000	2	2,000	2	2,000	Initial capital NT\$2,000K	None	None
1986.06	1,000	5	5,000	5	5,000	Capitalization from Cash offering NT\$3,000K	None	None
1990.06	1,000	15	15,000	15	15,000	Cash offering NT\$10,000K	None	None
1992.10	1,000	25	25,000	25	25,000	Cash offering NT\$10,000K	None	None
1994.06	1,000	40	40,000	40	40,000	Cash offering NT\$15,000K	None	None
1996.06	—	80	80,000	80	80,000	Increase capital from retained earnings NT\$20,000K, Capital surplus NT\$20,000K	None	Note1
1997.04	36	30,000	300,000	16,000	160,000	Capitalization in Cash by NT\$80,000K	None	Note2
1997.06	—	30,000	300,000	19,200	192,000	Increase capital from retained earnings NT\$32,000K	None	Note 3
1998.12	—	32,703	327,030	32,703	327,030	Increase capital from retained earnings NT\$135,030K(Included employee bonus shares NT\$630K)	None	Note 4
1999.05	50	70,000	700,000	48,054.2	480,542	Cash offering NT\$20,000K, Increase capital from retained earnings NT\$133,512K(Included employee bonus shares NT\$2,700K)	None	Note 5
2000.02	165	70,000	700,000	56,054.2	560,542	Capitalization in Cash by NT\$80,000K	None	Note 6
2000.06	—	110,000	1,100,000	84,441.3	844,413	Increase capital from retained earnings NT\$283,871K(Including employee bonus NT\$3,600K)	None	Note 7
2001.09	—	118,000	1,180,000	102,049.6	1,020,496	Increase capital from retained earnings NT\$176,083K(Including employee bonus NT\$7,200K)	None	Note 8
2002.10	—	210,000	2,100,000	133,738.3	1,337,383	Increase capital on retained earnings and capital reserve NT\$316,887K(Including employee bonus NT\$ 10,738K)	None	Note 9
2003.09	—	210,000	2,100,000	155,099.0	1,550,990	Increase capital on retained earnings and capital reserve NT\$213,607K (Including employee bonus NT\$ 13,000K)	None	Note 10

2004.09	—	270,000	2,700,000	187,658.8	1,876,588	Increase capital from retained earnings NT\$325,598K(Including employee bonus NT\$15,400K)	None	Note 11
2005.03	—	270,000	2,700,000	188,146.9	1,881,469	Capital from ECB conversion NT\$4,881K	None	Note 12
2005.07	—	270,000	2,700,000	199,763.6	1,997,636	Capitalization in ECB conversion NT\$116,167K	None	Note 13
2005.09	—	570,000	5,700,000	282,161.6	2,821,616	Increase capital from retained earnings NT\$782,328 K (Including employee bonus NT\$ 29,740 K) Capitalization in ECB conversion NT\$41,652K	None	Note 14
2006.02	—	570,000	5,700,000	283,723.7	2,837,237	Capitalization in ECB conversion NT\$ 15,621K	None	Note 15
2006.04	—	570,000	5,700,000	293,644.4	2,936,444	Capitalization in ECB conversion NT\$ 99,208K	None	Note 16
2006.07	—	570,000	5,700,000	294,603.6	2,946,036	Capitalization in ECB conversion NT\$ 9,591K	None	Note 17
2006.09	—	570,000	5,700,000	414,076.5	4,140,765	Increase capital from retained earnings NT\$1,194,729 K (Including employee bonus NT\$ 25,000 K)	None	Note 18
2006.11	—	570,000	5,700,000	414,136.4	4,141,364	Capitalization in ECB conversion NT\$ 599K	None	Note 19
2007.03	—	570,000	5,700,000	414,147.5	4,141,475	Capitalization in ECB conversion NT\$ 110K	None	Note 20
2007.10	—	1,000,000	10,000,000	541,591.6	5,415,917	Increase capital from retained earnings NT\$1,274,442 K (Including employee bonus NT\$ 32,000 K)	None	Note 21
2008.11	—	1,000,000	10,000,000	599,715.9	5,997,159	Increase capital from retained earnings NT\$581,242 K (Including employee bonus NT\$ 39,650 K)	None	Note 22
2009.9	—	1,000,000	10,000,000	664,908.5	6,649,085	Increase capital from retained earnings NT\$651,926K (Including employee bonus NT\$ 52,210K)	None	Note 23
2011.5	—	1,000,000	10,000,000	675,175.1	6,751,751	Capitalization from Domestic 1 st CB conversion NT\$ 102,666K	None	Note 24
2011.6	—	1,000,000	10,000,000	723,795.8	7,237,958	Capitalization from Domestic 1 st CB conversion NT\$ 151,206K & GDR NT\$ 335,000K	None	Note 25
2011.10	—	1,000,000	10,000,000	750,443.7	7,504,337	Capitalization from Domestic CB conversion NT\$ 225,152K and capitalization from Domestic CB conversion NT\$ 41,227K	None	Note 26
2012.2	—	1,000,000	10,000,000	750,639.4	7,506,394	Capitalization from Domestic CB conversion NT\$ 2,057K	None	Note 27
2012.4	—	1,000,000	10,000,000	750,691.4	7,506,914	Capitalization in Domestic CB conversion NT\$ 519K	None	Note 28
2012.5	—	1,000,000	10,000,000	750,699.2	7,506,992	Capitalization in Domestic CB conversion NT\$ 78K	None	Note 29
2012.8	—	1,000,000	10,000,000	750,703.1	7,507,031	Capitalization in Domestic CB conversion NT\$ 39K	None	Note 30
2014.4	—	1,000,000	10,000,000	751,662.8	7,516,628	Capitalization in Domestic CB conversion NT\$9,597K	None	Note 31

2014.8	—	1,000,000	10,000,000	760,494.0	7,604,940	Capitalization in Domestic CB conversion NT\$88,312K	None	Note 32
2014.11	—	1,000,000	10,000,000	767,423.7	7,674,237	Capitalization in Domestic CB conversion NT\$69,297K	None	Note 33
2015.3	—	1,000,000	10,000,000	770,391.0	7,703,911	Capitalization in Domestic CB conversion NT\$29,674K	None	Note 34

Note 1 : Approved no. (85)Jian San Ji Zi 215114, 8/16/1996
 Note 2 : Approved no. Jing (86) Shang Zi 107326, 5/27/1997
 Note 3 : Approved no. Jing (86) Shang Zi 116009, 8/28/1997
 Note 4 : Approved no. (87) Tai Cai Zheng Zi (1) 98840, 11/26/1998
 Note 5 : Approved no. (88) Tai Cai Zheng Zi (1) 30979, 4/6/1999
 Note 6 : Approved no. (88) Tai Cai Zheng Zi (1) 101893, 12/9/1999
 Note 7 : Approved no. (89) Tai Cai Zheng Zi(1) 42070, 5/16/2000
 Note 8 : Approved no. (90) Tai Cai Zheng Zi(1) 144155, 7/11/2001
 Note 9 : Approved no. Tai Cai Zheng Zi(1) 0910134316, 6/25/2002
 Note10: Approved no. Tai Cai Zheng Zi (1) 0920126413,6/16/2003
 Note11: Approved no. Tai Cai Zheng Zi (1) 0930126017,6/11/2004
 Note12: Approved no. Jing So Shang Zi 09401045320, 3/21/2005
 Note13: Approved no. Jing So Shang Zi 09401139810, 7/21/2005
 Note14: Approved no. Jing So Shang Zi 09401177590, 9/08/2005
 Note15: Approved no. Jing So Shang Zi 09501027910, 2/16/2006
 Note16: Approved no. Jing So Shang Zi 09501075300, 4/25/2006
 Note17: Approved no. Jing So Shang Zi 09501159860, 7/26/2006
 Note18: Approved no. Jing So Shang Zi 09501206950, 9/12/2006
 Note19: Approved no. Jing So Shang Zi 09501247950, 11/03/2006
 Note20: Approved no. Jing So Shang Zi 09601045320, 3/06/2007
 Note21: Approved no. Jing So Shang Zi 09601242380, 10/03/2007
 Note22: Approved no. Jing So Shang Zi 09701278820, 11/03/2008
 Note23: Approved no. Jing So Shang Zi 09801230170, 10/07/2009
 Note24: Approved no. Jing So Shang Zi 10001087800, 05/02/2011
 Note25: Approved no. Jing So Shang Zi 10001133750, 06/28/2011
 Note26: Approved no. Jing So Shang Zi 10001246030,10/26/2011
 Note27: Approved no. Jing So Shang Zi 10101015910, 02/02/2012
 Note28: Approved no. Jing So Shang Zi 10101056300, 04/02/2012
 Note29: Approved no. Jing So Shang Zi 10101093520, 05/25/2012
 Note30: Approved no. Jing So Shang Zi 101010169120, 08/16/2012
 Note31: Approved no. Jing So Shang Zi 10301090650, 05/21/2014
 Note32: Approved no. Jing So Shang Zi 10301184600, 09/04/2014
 Note33: Approved no. Jing So Shang Zi 10301248990, 12/03/2014
 Note34: Approved no. Jing So Shang Zi 10401061390, 04/21/2015

C. Information of Shelf Registration System: None

(2) Status of Shareholders

Par Value: NT\$10 per share: 2018/09/24

Structure Number	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions& Individuals	Individual investors	Treasury shares	Total
Numbers of Shareholders	0	39	2231	1,404	19,835	0	21,509
Shareholding (Shares)	0	50,419,270	53,201,087	545,951,263	120,819,449	0	770,391,069
Holding Percentage (%)	0.00%	6.54%	6.91%	70.87%	15.68%	0.00%	100%

Note: The data shown above was gathered until the latest ex-registered date.

(3) Distribution of Common Shares

A. Common Stock

Par Value: NT\$10; 2018/09/24

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Holding Percentage%
1-999	6,515	11,387,488	0.18%
1,000-5,000	11,730	220,920,044	2.72%

5,001-10,000	1,172	9,077,205	1.18%
10,001-15,000	402	5,065,817	0.66%
15,001-20,000	208	3,773,103	0.49%
20,001-30,000	264	6,672,361	0.87%
30,001-40,000	163	5,790,594	0.75%
40,001-50,000	117	5,280,778	0.69%
50,001-100,000	295	21,342,646	2.77%
100,001-200,000	224	32,260,290	4.19%
200,001-400,000	150	41,970,379	5.45%
400,001-600,000	72	36,318,755	4.71%
600,001-800,000	38	26,452,270	3.43%
800,001-1,000,000	27	23,264,988	3.02%
Above 1,000,001	132	530,804,901	68.89%
Total	21,509	770,391,069	100.00%

Note: The data shown above was gathered until the latest ex-registered date

B. Preferred Stock

None.

(4) List of Major Shareholders

Units: shares, %; 2018/09/24

Shareholder's Name	Shares	Common Shares	(%) of Shareholding
Kai-Yi Investment Co., Ltd.		19,099,869	2.48%
Citi as directed trustee Government of Singapore Investment Corporation		18,787,494	2.44%
Chen Mei Lin		18,409,961	2.39%
HSBC in custody for The Overlook Partners Fund L.P.		18,300,000	2.38%
Standard Chartered Dunbei Branch in custody for Fidelity Investment Account		18,096,000	2.35%
JPMorgan Chase Bank custody Investment account for Central Bank of Saudi Arabia		16,697,000	2.17%
Sui Mei Kuo		15,364,013	1.99%
Nanshan Life Insurance Co., Ltd.		13,231,000	1.72%
Standard Chartered in custody for WGI Emerging Market Fund		12,765,000	1.66%
JPMorgan Chase Bank in custody for ABP Pension Investment Account		12,552,230	1.63%

Note: The data shown above was gathered until the latest ex-registered date

(5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: in thousand NTD/shares

Item		Year		
		2017	2018	As of 2019/02/28
Market Price per Share	Highest	399.00	386.00	259.50
	Lowest	212.50	211.50	196.50
	Average	318.22	322.43	227.21
Net Worth per Share	Before Distribution	172.71	196.29	(Note 1)
	After Distribution	160.71	(Note 2)	(Note 1)
Earnings per Share	Weighted average shares	770,391	770,391	(Note 1)
	Earnings per shares	28.58	36.91	(Note 1)
Dividend per Share (Note2)	Cash dividends		10.0	(Note 2)
	Stock dividends	Dividend from retained earnings	0	(Note 2)
		Dividend from Capital Reserve	-	(Note 1)

	Accumulated un-appropriated dividend (Note2)	—	-	(Note 1)
Return on Investment	Price/Earning ratio (Note3)	11.22	9.06	(Note 1)
	Price/Dividends ratio (Note4)	26.52	(Note 2)	(Note 1)
	Cash dividends yield rate (Note5)	3.77	(Note 2)	(Note 1)

Note1: Up until the printing date, Q1/2019 financial report is not yet available.

Note2: Distributed earnings of 2018 are not yet been approved by shareholders' meeting as at printing date. The related information will be available on Market Observation Post System after the meeting.

Note3: Price/Earnings ratio = Average Market Closing Price per Share /Earning per Share

Note4: Price/Dividend ratio = Average Market Closing Price per Share/Cash Dividend per Share

Note5: Cash dividends YTM = Cash Dividends per Share/Average Market Closing Price per Share

(6) Dividend policy and Status:

A. Dividend Policy in the Company's Articles of Incorporation:

Dividend policy is set forth in the Articles of Incorporation, the distribution priority orders are listed as follows:

- a. Making up loss for preceding years;
- b. Setting aside 10% for legal reserve;
- c. Setting aside or reverse special reserve(s) according to the business need or laws and regulations;
- d. Any remaining earnings should be added to the accumulated retained earnings and current period's adjustments, and the board can determine to distribute or to retain according to the dividend policy.

We are locating at the industry which has positive growth potential. We will appropriately watch each step we have and economics status we are facing. We will continue to expand our scale considering viability of economic situation. Our board also focuses on the stable and growing dividend in proposing the appropriation of annual earnings. However, regarding earning distribution of aforementioned item four, the cash dividends shall not be less than 10% of earnings distributed to shareholders. If the cash dividends is less than 0.5 per share, the Company could distribute stock bonus.

B. Proposed Distribution of Dividend:

2019 Board Meeting has approved the distribution of 2018 earnings.

- a. Cash dividend: NT\$12 per share (cash dividend total NT\$ 9,244,692,828)
Stock dividend: NT\$0 per share
- b. The Board of Directors of CATCHER should be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares
- c. The Board of Directors is authorized to set up the distribution date once the Shareholder Meeting approved this proposal

(7) Impact of Stock Dividends on Operating Results, EPS, and ROE:

Not Applicable

(8) Employee Compensation and Directors' Remuneration:

A. The Percentages or Ranges with Respect to Employee and Director Compensation, as set forth in the Company's Articles of Incorporation:

The Company shall distribute no less than 1 percent of the current year's profit if any as compensation for employees and the Board could decide to distribute in stocks or cash. The employees to receive compensation may include certain qualified employees from affiliate companies. The Board could also decide no more than 1 percent of the abovementioned profit as compensation for Directors. The distribution of compensation for employees and Directors should be reported during Shareholders' Meeting. However, when there's accumulated losses, the Company shall reserve certain amount to compensate the accumulated losses and then distribute the profits to employees and Directors based on the abovementioned percentage.

B. Accounting Treatments when Differences Occurred between Estimated and Actual Distributed Amount of Employee and Director Compensation.

There is no difference between the estimated and actual amounts of employee and director compensation

C. Information on any Employee Compensation Distribution Proposals adopted at Board Meetings:

To adapt to the regulation, Catcher amended "Articles of Incorporation" in its 2018 Shareholder Meeting.

According to Catcher's "Articles of Incorporation", if the company recorded a positive earnings, it should distribute no less than 1% of the earnings as employee compensation, and no more than 1% of the earnings as board member compensation.

Below table shows 2018 employee cash compensation and board member compensation, which was approved by the board on March 6th, 2019.

If there is a difference between the estimated dollar amount and the actual dollar amount, we will address it with accounting estimation changes, and adjust on the year of distribution.

Compensation	Board Resolution (March 6 th , 2019)
	Dollar Amount (NT\$)
Employee Compensation (Cash)	1,844,382,573
Board Compensation (Cash)	16,892,475
Total	1,861,275,048

Note: There is no difference between the above board member/employee compensation expense and the dollar amount that the board proposed.

D. Earning Distribution Information of the 2017 Employee Bonus and Directors' & Supervisors' Remuneration

The information of distribution earning of 2017 approved by shareholders' meeting on June 11th, 2018 are listed as follows:

Unit: NTD; Shares

Details	As approved by the Shareholders' Meeting	As recommended by the Board of Directors	Differences
Distribution Status			
1. Employee bonus			
(1) Stock bonus amount	-	-	-
Stock bonus shares			
Market price per share (ex-right and ex-dividend factors have been considered)	-	-	-
(2) Cash bonus	2,421,230,934	2,421,30,934	None
2. Remuneration paid to Directors and Supervisors	16,892,475	16,892,475	None

(9) Share Buy-back History

None.

2. Corporate Bonds

(1) Corporate Bonds:

None

(2) Convertible Bonds' Information

None

3) Exchangeable Bonds Information:

None

(4) Shelf Registration Information of Corporate Bond Issuance:

None

(5) Equity Warrant Bonds Information:

None

3. Preferred Stock:

None

4. Global Depository Receipts (GDRs)

Date of Issuance			Global Depository Receipts issued in 2011/06/08
Content			
Date of Issuance			2011/06/08
Listing Exchange			Assumed to be issued and traded either at Euro MTF of Burse de Luxembourg or at an international securities trading market which meets the requirements of the major underwriter and Catcher.
Issue Amount			Raising USD 220,028 thousand by issuing 6,700 thousand units of GDR(representing 33,500 thousand common shares)
Listing Price/Unit			USD 32.84 (NTD 189 per common stock share)
Listing Units			6,700,000 Units
Underlying Representing Shares			Issue new common shares.
Number of Total Units and Equivalent Local Shares per Unit			Total units: 6,700,000 units Each unit represents 5 shares of common stock with total issuance of 33,500,000 common shares
Rights and Obligations of GDR holder			The rights and obligations are the same as common stock holders".
Trustee			None
Depository Bank			JPMorgan Chase Bank
Custodian Bank			Taipei Branch / JPMorgan chase bank
Outstanding Balance (Units)			Up to 2018/03/31, 455,357 units outstanding
Issuing Expense and Maintenance Fees			All by the Company
Important Terms and Conditions of Depositary Agreement and Custodian Agreement			Please refer to Depositary Agreement and Custodian Agreement
Market Price/Unit	2018	Highest	USD 63.50
		Lowest	US\$ 35.20
		Average	US\$ 54.73
Market Price/Unit	Up to 2019/2/28	Highest	USD 41.00
		Lowest	USD 32.40
		Average	USD 36.77

5. Employee Stock Option Certificates

None

6. Mergers and Acquisitions or the Issue of New Shares to Acquire Another Company's Shares

None

7. The Execution Status of Capital Plan:

None

Five 、 Overview of the Business Scope

1. Description of The Business

(1) Major Business

A. Major Business:

- a. Manufacturing, processing, and sales of molds and alloy products.
- b. Surface treatment, processing, and sales of alloy products.
- c. Related materials" and products" trading, export, and import business.

B. Major Products and Weights :

Unit : in thousand NTD ; %

Product Item	Net sales in 2018	(%) of Sales
Product Sales	95,347,242	99.93%
Others	68,899	0.07%
Total	95,416,141	100.00%

C. Current Products and Services:

- a. Product Sales: Sales and manufacturing of casing, internal components, molds and thermal modules for mobile devices and electronic products, such as notebooks, tablets, mobile phones, MP3 players, Digital cameras, PDA and so on.
- b. Others: Other sales income

D. Future Products and Services:

- a. Mg alloy, Al alloy and SUS metal housing and multiple
- b. Development of Novel surface treatment
- c. High performance metal and non metal material applied on 3C products
- d. Bonding technology on different materials and its applications
- e. Manufacturing process, decoration and product applications on Ultra light and thin composites
- f. Product design and research on Metal/non-metal composites housing with low EMI
- g. Environment friendly painting technology on metal and non-metal cosmetic parts
- h. Non-metal or powder material which can be applied to mechanical parts manufacturing.
- i. Heat-dissipation mechanism solutions

(2) Industry Scope

A. Current Industry Products & Development:

Trends of portable electronic products are toward thinner, lighter, and slimmer. In addition to the quality and feelings in products" appearance, consumers are paying more attentions in environmental issues. As a result, metals with recyclable performance have become major material for casing and its internal components for portable electronic products. Reasons for the popularity of metals include:

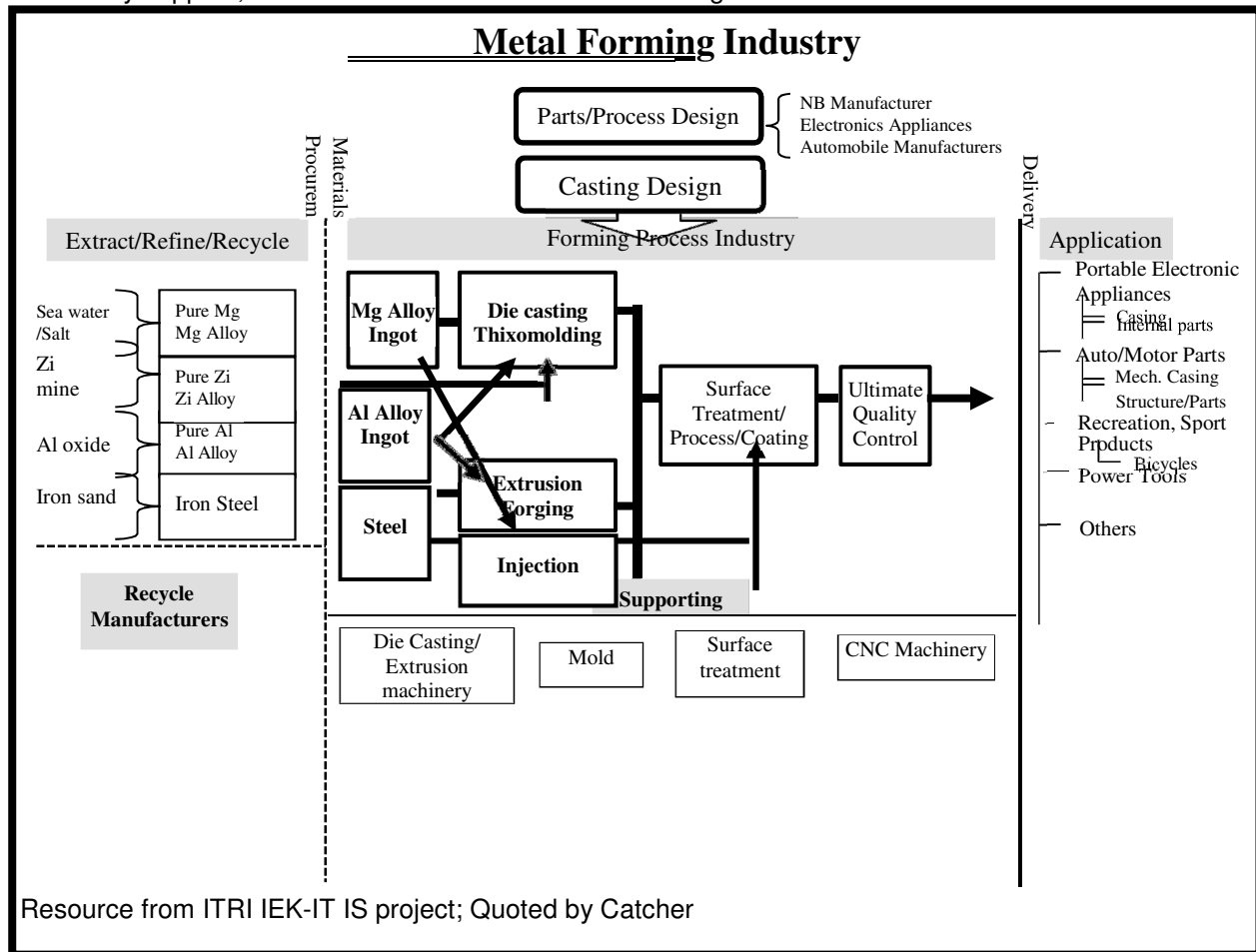
- a. More flexibility of alloy metal and more surface treatment technologies.
- b. Metals are stronger and provide higher impact resistance than engineering plastics.
- c. Metals provide better heat dissipation and EMI protection, comparing to engineering plastics.
- d. Popularity of environmental protection has resulted in regulations of recycling IT products in many countries.

Therefore the trend of using high-end metal and compound materials remains the development trend of notebooks and mobile phone casing

The trend of Ultramobile will continue to develop in mobile phones, tablets, and NBs. That will also drive the demand for metal parts and the requirement for strength. The demand of hybrid unibody made by metal parts and high level composite materials is getting clear as well. We expect those demand will be our main growth drivers in the future.

B. The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services:

Industry supplier, wholesaler and retailer is shown as diagram below :

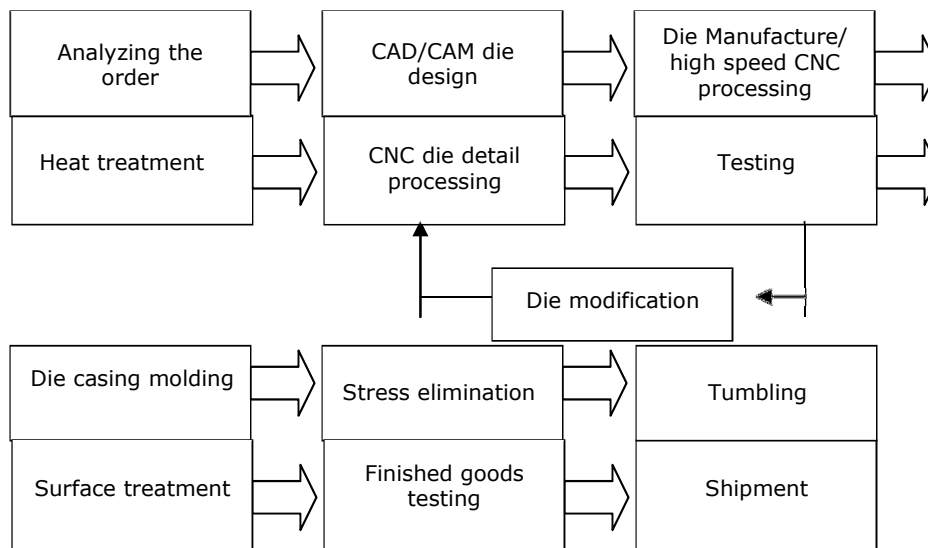


(a) Metal Alloy Upstream

Metal alloy upstream includes extraction of magnesium ore, aluminum ore, zinc ore and iron ore, and manufacturing of metal processing equipments, such as aluminum extrusion machine, forging machine, stamping machine and die-casting machine. Because Taiwan does not have mineral resources, metals are imported from nearby countries, such as China and Australia. In earlier times, the global magnesium alloy extraction and facilities are controlled by few companies, for example, Dow Chemical of United States, American Magnesium Inc. and Dead Sea, etc. But recently, China keeps on extraction and production of magnesium raw materials and has become the biggest magnesium supplier in the world. China is also Catcher's major magnesium materials supplier. On the other hand, aluminum ingots are supplied by China, Australia and Dubai. Domestic firms allocate and alloy these aluminum ingots into aluminum extrusion, and further reprocess into finisher. Stainless steel forge cloth is made by domestic companies, like Yusco.

(b) Metal Alloy Midstream

Metal alloy midstream is mainly responsible for metal mold manufacturing, shape machining, and surface treatment. The major suppliers include Catcher, Foxconn, Casetek, Wafer and Silitech. Die-casting industry wholesalers receive downstream consumer orders, and produce metal alloy merchandises. The manufacturing flow chart is illustrated as below:



(c) Metal Alloy downstream

Metals are suitable for all thin and light products, such as portable electronic devices, car parts, and sports products. Automobile and bicycle industry have used aluminum extrusion and forging product quite earlier, but the requirement are not as strict as 3C industry. Thus, 3C sector initialed the high quality and density extrusion products. As for stainless steel, it is very difficult to process but provides strong factor, attracting some smart phone brands. Taiwan has become the manufacturing center for the global ICT products, especially on desktop computers, NBs, and portable devices. Magnesium is the main material for NB and smart phone, and on the other hand, aluminum alloy and Zinc alloy play the key role for 3C industry. As of being an identity product, wearable devices also see prosperous demand in recent years. Metal casing still remain the preferred design and unibody casing can provide outstanding value to meet end customers" requirement.

C. Competition Status

Major Competitors:

Company	Main business scope	Major items	Note
Catcher Technology Co. Ltd.	Manufacture and sales of mold and metal casing products; Surface treatment.	Mg alloy and aluminum alloy casing and other 3C components	Public traded company
Casetek	Design, research, and production of consumer electronic parts	Aluminum alloy components	Public traded company
Waffer Technology Co., Ltd.	Sales and manufacture of plastic and metal products, Mg alloy products, mental surface treatment technology, and electronics components.	Mg casing and other 3C components	Public traded company
Foxconn Technology Co., Ltd.	Manufacture and sales of monitor and electronics components	Mg casing and other 3C components	Public traded company
Silitech Technology Co., Ltd	Manufacture and sales of rubber dial, rubberroller and cellular phone module and rubber dial on car	Mg casing and other 3C components	Public traded company
Ju Teng International	Mold development, plastic injection, metal stamping, die-casting/thixo-molding, CNC machining, composite casing, surface coating and assembly.	Mg alloy and aluminum alloy casing, carbon fiber, and other 3C components	Public traded company
BYD Electronics	Provider of handset components and modules manufacturing and assembly services.	Aluminum alloy components	Public traded company

(3) Research & Development Achievements and Plans:

A. Research and Development Expenditures:

Year	2018 (consolidated)
R&D expenditures	NT\$ 2,018,893 thousand

B. Successful Development in Technologies and Products:

During the past few years, Catcher has aggressively extended special processes and technologies to accommodate into existing techniques, creating a "Comprehensive Manufacturing Matrix". The matrix provides customers with a variety of design flexibility and achieves the goal of vertical integration. When integrating these processes into mass production, we also find new application possibilities of combining more different processes. These combinations expand the surface treatments techniques and create new exterior feels. The latest developed products and processes are as follows:

- Unibody composite housing of High strength glass fiber with 0.4mm thickness
- High-flame-retardant carbon-glass fiber composite housing
- High modulus/High strength 3K carbon thermal plastic unibody
- High-modulus flame retardant magnesium alloy
- Special shaping technique of titanium alloy
- Magnesium casing with metal finish
- Anti-fingerprint-and-bacteria special anodized material
- Novel PVD SUS unibody product made by SUS with multi color
- Special dazzle color on anodized aluminum alloy
- Carbon fiber unibody composite with special designed antenna solution
- Material bonding technology for metal and non-metal materials

C. Long-term and Short-term Business Development Plan:

For short term planning, the electronic products are getting more diversified. In addition to the stable demand from NBs, the trend of smartphones toward multi-functional, thinner, lighter, and stylish design has made metal casing much popular, and drove the growth for metal casing sector. Therefore, Catcher is going to increase its allocation, product categories, value-add, customers, enabling this company to pursue growth.

For the long term, Catcher will keep its leading advantage to maintain its market share. We will also develop any other materials, components or technologies to provide more materials, products and serve more customers. On top of current customers and products, Catcher sets up a new subsidiary "KeYao(tentative) Co., Ltd." to focus on the development of new material, new processes, and new business. We will continuously evaluate any possibilities of building new factory or capacities. Besides, in the needs of manufacturing capacity allocation and strategic planning, the Company has added new production sites and expands capacity aggressively. We will continue to evaluate the necessity of future expansion or new production sites. The Company manages to keep the commitment of technology innovation and customer-oriented service while with a vision of sustainable operation. Catcher targets to outgrow the industry's average.

2. Market and Sales Conditions

(1) Market Analysis:

A. Major Sales Regions:

Unit : in thousand NTD ; %

Area \ Year		2018		2017	
		Net Sales	%	Net Sales	%
Domestic		2,363,181	2.48%	967,563	1.04%
Export	Asia	33,984,650	35.62%	36,645,400	39.28%
	America	58,860,982	61.68%	55,598,279	59.59%
	Others	207,328	0.22%	169,824	0.18%

Export subtotal	93,052,960	97.52%	92,328,397	98.96%
Total	95,416,141	100.00%	93,295,960	100.00%

B. Market Share:

According to market survey, few Taiwan metal casing companies account for the majority market share and lead other companies with a distance in technique, skill and capacity. About magnesium die casting, aluminum and stainless steel unibody, there are high entry barriers because of technical difficulty, production capacity, as well as vertical integration and other factors. The new entrants as well as other vendors do not have the big scale of production, mass production experience and technology. Therefore, there should not be any significant impact in the short term. The few companies are estimated to account for approximately 80% shipment in metal casing industry. Catcher is one of few manufacturers with completed processing technique, customization capability, and innovative design ability. Catcher has received recognition and orders from global leading brand names. These achievements make the Company a leader of metal casing industry in the world.

Smartphone sector is still growing. To show the products' premium quality, mid to high end brands expand their adoption in metal casing. Even though the global NB is declining, the penetration of high end metal casing or hybrid casing has been increasing. This trend benefits Catcher's growth in this sector.

According to the research reports, metal casing industry is delivering mild growth. Therefore, Catcher take this index as the target and will aim at outpacing this target. Catcher recorded NT\$95.4bn revenue in 2018, a 2.3% growth from NT\$93.3bn of 2017, and reached the "above industry growth rate" target

C. Future Market Supply, Demand, and Growth Potential

Future market supply, demand, and growth potential have been focusing on the three major territories of smartphones, tablets and NBs, and a new market sector has come to being following the trend of wearable device. As more wearable products will be launched in the future, Catcher is offered a chance to enter a new development territory; we will continue to develop new products and customers.

For smartphone market in 2018, IDC and Morgan Stanley indicated the shipment of smartphones was around 1.452 billion, down 1.0% y-y from 1.462 billion last year. IDC and Morgan Stanley also estimates the smartphone will increase to 1.485 billion units in 2019, up 2% y-y and up 1% to 1.504 billion units in 2020. We expect the year 2019 will be a year with great turmoil, and overall demand in smartphone market will be challenging. High value-added and product differentiation will be the fundamental for tier 1 brands to expand market share. Moreover, due to the trend of being larger screen size, thinner, lighter and fashions for smartphones, metal casing has become one of the must-have specifications no matter what kind of design. The trend of metal casing design also leads to the "bigger gets bigger" in the industry. As a result, smartphones remain one of the main growth drivers for the Company.

IDC and Morgan Stanley estimated the notebook shipments of 2018 were 163.7 million, compared to 160.1 million units in 2017, growing by 2.0% y-y and basically stabilizes. IDC and Morgan Stanley estimates that the NB will remain steady yoy to 163.7 million units in 2019 and to 163.8 million in 2020. Overall notebook market has become stable after years of comparably higher decline, and tier 1 manufacturers have entered the trend of enhancing specifications, resulting in increase of the penetration rate of metal casing. Catcher also expects growth momentum of NB products under the trend of heightened design specification.

IDC and Morgan Stanley indicated the shipment of Tablet PC in 2018 was around 150 million units, compared with 163.8 million in 2017, down by 8%. IDC and Morgan forecasts that tablet will decrease 8% each year to 138/127.4 million units in 2019/2020. Following the trend of large-sized smartphones become the mainstream and serve as alternative to partial small-sized tablet PC users, however, due to the launch of large-sized tablet PC and the fever of 2-in-1 products, tablet PC penetrates to the new market. Compared to notebook, tablet is more convenient and thus it requires higher strength and better outlook. Also, high-end brands have significant needs for metal components. Therefore, tablet will continue to be one of the important products for metal casing vendors.

Looking ahead into 2019, as a result of effects by global economy and political circumstances, the promising market scale of mobile devices cannot be expected, therefore, Catcher will adopt a more cautious and stable strategy to reinforce the existing market while actively extend its product line to increase the growth momentum in the future.

D. Competitive Advantages

The company focuses on the manufacture of metal casing (Al, Mg, Zn, Stainless Steel...), composite materials, and internal frame. It include the process of Die Casting, Extrusion, Forging, Stamping, MIM, thermoforming, CNC machining, Anodizing and many kinds of surface treatment technology. These technologies can be adopted in NB, mobile phone, Tablet, MP3 player and all the other 3C products. Catcher is one of the few metal casing and internal components manufacturers that are able to meet customers' expectations in quality, yield, mass production capability, customization, and innovative design ability. The following strengths contribute to Catcher's achievements aforementioned :

- a. The Company possesses strong research and development programs and leverages its ability in technology development.
- b. The Company's solid management capability and discipline.
- c. The Company's self-developed and high-level automation capability higher than industry standard.
- d. The comprehensive manufacturing capabilities of multi-materials, multi-process, and multi-surface treatment.
- e. The Company provides one-stop-shopping solution, and ensures time-to-market and quality control issue due to highly in-house integration.
- f. The Company's vertically integrated technology in mechanical design, precision mold design and fabrication, molding, decoration, second processing, and sub-assembly also enable it to meet time-to-market and volume production requirements while having the competence to handle the rapid changes in product designs.
- g. The Company's technologies and quality have been proven and recognized by customers.
- h. The Company consistently develops new products and new applications to meet customers' demand.

With the idea of steady growth and innovation commitment, Catcher builds competitive advantages in R&D, manufacturing, and sales. The Company also has a solid financial structure and fine-tuning of the manufacturing process accompanying with professional employees' recruiting programs. These factors make the Company a reliable and close partner to customers.

E. Positive and Negative Factors Relating to Future Development

a. Favorable Factors

➤ Wider metal casing application and optimistic industry outlook

Superior physical characteristics of metals result in the popular applications of metals. Metal casings provide better structure strength, save space, and make better outlook, which enable other portable devices, like NB, smartphone, tablet, camera, and electronic products, to adopt more and more metal. Therefore, the applications for metals are in growth and the industrial outlook is optimistic. There are three main growth drivers for the metal casing sector: 1. Increasing unit shipment from smart devices, 2. Increasing adoption rate of metal casing, and 3. Form factor change, including larger size, more complicated and difficult design. For Catcher, we expect three growth drivers for the near to mid-term; 1. Organic growth from existing products, 2. New products, and 3. New customers.

➤ Stable Customer Base

Due to the boosting of Internet and multimedia, the market of mobile devices and electronic products is booming up. In addition, the effort in the information industry from private sectors and government being more than a decade, a completed and well-operating supply chain was established. As a result, the market shares of many kinds of electronic products in Taiwan achieve No.1 around the world. Catcher is one of few suppliers qualified in quality, yield rate, and capacity. The company already cooperated with brand companies and ODMs for many years. Because of the rapid growth of the smartphone in recent years, the Company also has cooperation with smartphone, mobile devices brand companies. The diversified and stable customers' base is the important factors for the sustainable development.

➤ High Entry Barrier in the metal casing industry

As per the technology progress of notebooks, smartphones, tablet PCs and the other consumer products, the demands for those products are also growing quickly. However, due to the highly customized structure and design, the key technologies, the ability to make the mold and tooling, and the variety of surface treatment technology require abundant mass production experience to improve the yield rate of products and processes. In recent years, more and more notebook and smartphones adopt Unibody design of aluminum metal casing, the extensive uses of extrusion and CNC machining is able to make more creative design of casing

outlook. Meanwhile, there also build up high entry barriers of capital and technology in the metal casing manufacturing industry. In addition to a lot of machines and equipments, there are still complicated secondary operating and surface treatment process, which cannot be replaced by automatic robots or machines. It is not an easy thing to maintain long-term profitable operations if the company did not optimize the use of limited manpower and resources, and control the cost.

The life cycle of electronic products is getting shorter; the Company needs to have R & D ability and makes mass production within a short period in order to grasp the market momentum. The new manufacturers have to spend huge initial investment for equipments and face the insufficient technical experience. Thus, it is not easy for them to improve the yield rate of products and processes in short term, and it will take for quite long time to achieve breakeven. There might be the potential threat in medium-and long-term, but it is not simple thing to catch up with the Company in short-term. The Company already entered in this industry for quite a long time, and had solid R&D team and experience for delivery and quality. All above competitive advantages can make the company become outstanding in the severe competition.

The metal casing industry has four entry barriers: 1.High uncertainty of business operation, 2.More complicated and difficult design trend, 3.Huge capacity and high automation needed, and 4.Compliance with higher standard from global tier one customers.

➤ **Strong Research and Development Capability with Outstanding Results**

Considering electronic products" characteristics as complicated in design and ever changing in research development, high quality requirement becomes the competitive advantage for the components manufacturers. The Company has excellent management team in this related field and strong R&D team for backing-up. Back to mid 90"s, the Company realized the importance of Mg alloy materials, and embarked the research since ever. With this accomplishment, the Company becomes the first mass production manufacturer in Taiwan for Mg alloy casing used for NBs. In recent years, the Company also actively makes efforts in research and development for new technologies, new processes, and new materials. Besides, we standardize our products into module, and it is recognized by the world"s most prestigious companies, which represents that the technology skill experience of the Company achieves the worldwide standard. The Company will continue to invest in research based on past achievement and enhance employee quality to maintain the competitive advantages in innovation and new product development faster than other competitors.

➤ **Leading Position, Economies of Scale, and Time-to-market Capabilities**

We position ourselves as a one-stop-shopping service for metal technology and components manufacturing. We have developed vertically integrated manufacturing capabilities from design to manufacturing and logistics covering mode/ cutting tool design, multi-forming, CNC machining, variety of surface treatment, powder coating/painting and assembly, which enables the fast time-to-market capability, and quality assurance to meet global brand name clients" need. In addition to the development of special process and technology, the company's existing comprehensive manufacturing matrix enables the company to become one of the few metal casing manufactures with good quality, yield rate, production capacity and customized and innovative design, and all of these can achieve customer"s requirements.

In addition, the Company expands its productivity in engineering plastic products providing our customer in an integrity way. We are developing the service of integrating metal and plastic. Since the surface treatment in combining metal and plastic is complicated, we have been making more effort in developing new techniques in different surface treatment technology. We will make the investment for capacity according to the market situation and we believe that the potential growth is predictable in the upcoming year.

b. Negative Factors

➤ **Uncertainty of Global Economy , Industry Competition, and compressed Gross Margin**

After the financial crisis, the economy does not totally recover in recent years. Moreover,

European sovereign debt crisis made the global economy in the uncertainty again and the demand for the electronic products was unstable. In addition, China economy growth has entered into a so called “New Normal” stage. The electronics products technology is advancing, given shorter products life cycle, resulting in margin contraction. In the view of potential metal casing growth, there are a handful of new entrants stepped into this industry. Those companies, who originally focus on stamping, plastic molding, stainless steel manufacture, molding and assembly, would like to make premium metal casing as well. Due to the severe competition, the Company may have some potential operating pressure in the following years.

Although, the general profit margin in the metal casing industry is relative higher than others, basically, the different products’ profits may vary for new competitors, the attractive factors are that if they will be able to drive their growth in sales with a better profit margin, if they can get meaningful orders from customers, and if they have enough capacity for mass production.

■ **Action Plans**

- i. Expand the production capacity to lower production cost with economies of scale and enhance innovation of more value-added, diversified and premium products to sustain the Company’s profitability.
- ii. We are proud of providing existing clients with outstanding process technology by extending from handling products designing, mass production, back-up service, products distribution, to post-selling services. In addition, with superior production standard, we will aim at increasing yield rate to remain the Company’s core competency.
- iii. We will also emphasize on providing customers with one-stop shopping service, covering from mold design, rapid prototyping, mold flow analysis, mold development and forming, CNC processing, fine polishing, surface anticorrosion treatment, superior coating to assembly, to fulfill clients’ need.

➤ **Price Pressure and active Vertical Integration from Competitors**

Due to the increase of commercial notebook demand, the metal casing penetration rate is rising up. However, because of the high pressure of cost, most companies would like to adopt the cost saving solution, such as “stamping + Mg die casting internal frame” and “stamping + plastic internal frame”. In this way, the product can meet the attractive outlook requirement, and reduce the price pressure as well. As smartphone and tablet being the main growth driver for the industry, every assembler is targeting at this sector and looks for opportunity to enter into casing business.

Considering ODM & OEM companies are aggressively conducting vertical integration and all the top 4 NB ODM companies have abilities to coordinate with casing vendors, in a long term, at least certain percentage of casings will be manufactured in-house in ODM. Thus, Catcher’s market share does not have a clear improvement this year and benefits from transferred orders are still vague.

■ **Action Plans**

- i. Fully utilizing our “most comprehensive matrix” advantage to continuously develop diversified material and processes for high end casing solution, which creates premium value for customers and then enhances the entry barrier.
- ii. Given the current economics scale, we are putting efforts on product and process designs, automation, and efficiency improvement, to lower cost and improve quality.
- iii. To adopt the design of “Stamping + Mg Die Casting Frame” or “Stamping + Plastic Internal Frame”, and focus more on value-added surface treatment.
- iv. The major competitive factors in casing industry are mold development and surface treatment technology. Recently, most of domestic NB manufacturing companies strategically coordinated with casing manufacture companies, but most of them make plastic casing rather than metal one. Compared with plastic casing, the requirement for capital and technology know-how are important for metal casing manufacturing, and the yield rate cannot be improved easily in short-term. It may take quite a long time to achieve breakeven. Although there are some new competitors and they will become potential threat in the medium and long term, the Company still have the advantage of technology and quality.

➤ **Increase of Entry Level Smartphone.**

Currently, most of the smartphones are sold in US, Europe, and Japan. The penetration rate in west Europe is even more than 100%. The driver from those developed countries comes from the increasing demand for the upgrade to high end models. Emerging market, on the other hand, shows strong growth potential, particularly in China, India, east Europe, and mid east Asia etc., where mid to low end smartphones are getting popular.

■ **Action Plans**

- i. Vertical integration: To reduce the outsourcing proportion to save production costs.
- ii. In terms of the lower selling price of 3C products, the Company will not only make the high value-added products, but also provide the cost saving products & process solution. At the same time, we will improve the process and yield rate to reduce the production cost.

➤ **Rising Production Cost in China; Shortage of Labors and Experienced Employees**

Labor force is limited on account of the change of social values; as a result, the recruitment and production costs are increasing. The demands in skilled and experienced employees are strong because the manufacturing process in metal casing are complicated, the quality requirement is strict, and manpower cannot be totally replaced by the automation. Moreover, in terms of the shorter life cycle, and the increase of product demand, the Company need an abundant manpower and experienced employees. In addition, as a result of China's rapid economic growth, labor cost has been increased a lot; the appreciation of RMB currency, heavier tax, and the inflation etc caused the labor costs increased dramatically as well.

■ **Action Plans**

- i. Under the principle in economics scales, we will produce our new developed, high price, and high margin products in Taiwan. Through product and manufacture processing designs to reduce reliance on labor force with automation production to achieve high quality performance with lower cost.
- ii. The Company has enough economics scales to lower production cost. With plenty orders and reasonable profitability, we are able to recruit and retain excellent employees by offering well benefits and satisfied salary.
- iii. Increasing automatic production in order to reduce the demand for manpower and improve the production stability.

➤ **Potential Substitute Materials**

Metal alloy is not the only structure material for casing and the internal components of mobile devices and electronic products. Due to its cheaper cost, plastic casing had caused the demand of metal casing to slow down. Right now, plastic casing still has certain share in the market. And the development of new materials of carbon fiber, glass fiber, 3D glass, special metals, composite materials, and so on, may affect the long-term development of the metal casing as well.

■ **Action Plans**

- i. Catcher focuses on R&D and continues to dedicate on developing new potential substitutes. Recently, besides magnesium alloy and aluminum alloy, the Company begins to provide all kinds of metal alloy, such as zinc alloy, stainless steel, carbon fiber, and glass fiber. The Company also aggressively extended special process and technology to accommodate into existing technique, creating a "comprehensive manufacturing matrix". Thus, the Company provides injection, extrusion, forging as well as die-casting, and all kinds of surface treatments on metal alloy products, such as anode, PVD. Catcher will provide better quality and service diversely, enlarge the differentiation between metal and non-metal, and keep improving competence.
- ii. Catcher's R&D team puts efforts on the exploitation and development of new material, and on the upgrading and development of non-metal material. In addition to metal casing, the Company starts to develop plastic casing and composite materials as well. We saw a remarkable growth in 2013. We are looking forward to providing customers with one-stop shopping and grow together to reach the goal of win-win situation.

- iii. Catcher puts more resources in investment and injects NTD 6 billion to set up a new subsidiary “KeYao” Technology, focusing on new material, new processes, and new business. The shows our determination as the pioneer in electronic structure parts. Recently, Catcher also invests into powder material, and can be more aggressive in this area if customers do have the demand.

➤ **High Fluctuation and Unpredictability in Market Demand**

Due to the mild growth in needs of consumer electronics products, longer interval between the substitution of electronic products and fiercer competition among different brands, precise prediction on market preference by the supply chain becomes harder, which furthermore causes manufacturers to encounter uncertainty in demands, more difficult planning for productivity and human resources, and high fluctuation in operations.

■ **Action Plans**

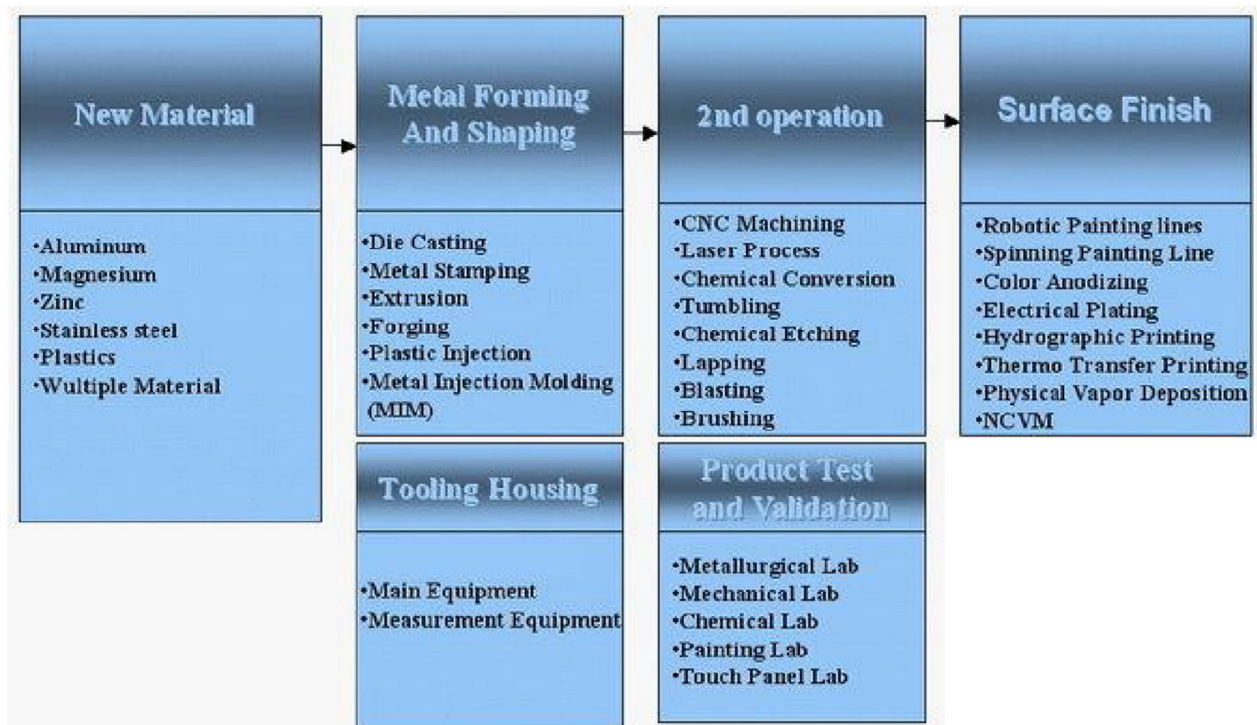
- iv. Catcher actively develops new products and customers to increase the diversity of operations and to avoid impacts by single product needs
- v. Catcher constantly reinforces the design and manufacturing ability in the territory of existing products, offering customers the best choice.

(2) Usage and Manufacture Processing in Main Products:

A. Usage in Main Products:

Catcher's main products include the casing and internal components for mobile devices and other electronic products. These products are used to protect the body, LCD Panel and components, to dissipate heat, to provide protection from shock, and to prevent EMI.

B. Major Product Technology Process :



(3) Supply situation for the major raw materials

Material Categories	Area	Supply Status
Magnesium Alloy Ingot	Mainland China	Sufficient

Aluminum and Zinc Alloy Ingot	Domestic firms, Mainland China	Sufficient
Stainless Steel Sheet	Domestic firms, Japan	Sufficient
Stainless Steel Powder	Domestic firms, Japan, Europe	Sufficient

(4) Major Vendors and Customers

A. Major Customers

Unit: in thousand NTD; %

Item	2018				2017			
	Supplier	Amount	[%]	Related party	Supplier	Amount	[%]	Related party
1	G	58,817,858	61.64%	No	G	55,481,717	59.47%	No
2	C	16,581,736	17.38%	No	O	20,575,315	22.05%	No
3								
	Others	20,016,547	20.98%		Others	17,238,928	18.48%	
	Net Sales	95,416,141	100.00%		Net Sales	93,295,960	100.00%	

Note: The variance is primarily resulted from the dynamic market and customer needs.

B. Major Vendors

Unit: in thousand NTD; %

Item	2018				2017			
	Supplier	Amount	[%]	Related party	Supplier	Amount	[%]	Related party
1	F	10,617,233	36%	No	E	6,489,144	30%	No
2	Others	18,500,747	64%	-	Others	15,231,569	70%	-
	Total	29,117,980	100%		Total	21,720,713	100%	

Note: The variance is primarily resulted from the consideration of quality, pricing, new model, and new processes

(5) Production and Sales Figures

Unit: in thousand NTD ; Thousand pieces

Year Main Products	2018				2017			
	Capacity	Quantity	Production	Sales	Capacity	Quantity	Production	Sales
Product Sales	108,860	73,596	56,784,656	95,347,242	107,350	80,406	51,318,694	93,277,048
Others	0	0	7,289	68,899	0	0	7,749	18,912
Total	108,860	73,596	56,791,945	95,416,141	107,350	80,406	51,326,443	93,295,960

3. Employee Analysis

Catcher Technology Co., Ltd. Employee Analysis				
Year		2017	2018	As of 2019/2/28
Employees				
Numbers of	Direct Labors	1,571	2,011	1,993

Employees	Indirect Labors	1,761	2,118	2,209
	Total	3,332	4,129	4,204
Average Age		32.29	32.08	32.06
Average Years of Employment		4.30	3.89	3.86
Level of Education (%)	Ph.D.	0.27	0.27	0.29
	Masters Degree	7.44	7.12	7.23
	Bachelors/Associate Degree	34.25	31.80	31.41
	High School	25.81	21.04	20.66
	Others	32.23	39.77	40.41

4. Environmental Protection Information

(1) Total losses and fines for environmental pollution for the two most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report

None.

(2) Explanation of the measures to be taken and possible disbursements to be made in the future:

The Company complies with ISO 14001 and PDCA(Plan-Do-Check-Act Cycle) management system to exercise environment protection, and comply with regulation. Our strategies this year are toward the reduction of wastes, and we have certified vendors to process our factory wastes.

5. Labor Relations:

(1) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interest:

A. Employee benefit plans are as follows:

- a. Subsidy for festivals, birthdays and consolation money
- b. Subsidy or compensation for maternity, funeral, and wedding
- c. Drawing for the Chinese New Year Eve Festival
- d. Paid vacations, travel funds and family day
- e. Subsidy for regular health examination program
- f. Care for employees who live on site
- g. Subsidy for insurance and expenses related to business travel
- h. Group insurance for employees
- i. Education scholarship for employees' children

B. Continuing education and training: We encourage employees to pursue advanced knowledge and skills for career development. Employees have opportunities to participate in internal or external courses and forums and company will subsidy for those who pass certification programs.

C. Retirement systems: Company employees enjoy all benefits provided under labor insurance laws. Provisions have also been added to company regulations in accordance with the Labor Standards Law to provide benefits and security for employees when they retire.

D. Labor relations: The achievement of a company depends highly on the synergy created by human capital. In order to attract, train, and retain talents, Catcher provides great career development paths for our employees and always places importance on maintaining labor relation harmony. We possess the win-win philosophy and design a better working environment of attractive salary, welfares, and training systems in the hope to benefit both the Company and its employees.

(2) Loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date and indicate mitigation measures being or to be

taken:

- A. Catcher has maintained a good relationship with our employees, and there is no loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report. Catcher also estimates that no losses will be incurred in the future due to the labor disputes.
- B. Mitigation measures being or to be taken: None

6. Major Agreements

Contract Type	Name of the Company	Contract Period	Major Content	Limitations
Lease	Taiwan Sugar Co., Ltd.	2000.4.20 2050.4.19	Land rental	The agreement will be terminated or cancelled if violate relative regulations or land pledged without agree written by the landlord.
Contract to purchase Catcher Technology (Suzhou)'s land, plants, dorms, partial equipment	Land Reserve Center of Suzhou Industrial Park	2014.11.28	Land and Factory Purchase	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Suzhou) Co., Ltd (Factory)	China-Singapore Suzhou Industrial Park Development Co.Ltd	2005.01.12 2055.01.11	Transfer of the right to the use of land	None
Contract for Transfer of the Right to the Use of Land-Meecca Technology (Suzhou) Co., Ltd (Factory)	China-Singapore Suzhou Industrial Park Development Co.Ltd	2006.04.30 2056.04.29	Transfer of the right to the use of land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2008.12.12 2058.12.11	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2010.01.05 2060.01.04	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2012.07.24 2062.07.23	Transfer of the right to the use of National-owned construction land	None

Contract for Transfer of the Right to the Use of Land-Vito Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2012.08.24 2062.08.23	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Vito Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2014.04.19 2064.04.18	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Vito Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2014.12.15 2064.12.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.01.15 2065.01.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.01.15 2065.01.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.03.24 2065.03.23	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Envio Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2017.09.15 2067.09.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2013.02.14 2063.02.13	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2014.07.14 2064.07.13	Transfer of the right to the use of National-owned construction land	None

Contract for Transfer of the Right to the Use of Land-Meecca Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2017.04.20 2067.04.19	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Meecca Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2017.12.29 2067.12.28	Transfer of the right to the use of National-owned construction land	None

Six 、 Overview of the Financial Status

1. Abbreviated Balance Sheets and Income Statements -IFRS

(1) Abbreviated Consolidated Balance Sheet -IFRS

Unit : In thousand NTD

Item \ Year		Past Five Fiscal Year (Note1)					As of 2019/03/31
		2018	2017	2016	2015	2014	(Note 3)
Current Assets		195,505,238	151,436,277	127,943,044	103,551,236	79,877,672	—
Property, Plant and Equipment		50,264,399	52,066,481	51,055,042	58,737,606	45,405,426	—
Intangible Assets		125,689	81,700	109,393	141,521	146,369	—
Other Assets		10,264,587	10,279,504	7,240,105	9,149,309	11,535,237	—
Total Assets		257,159,913	213,863,962	186,347,584	171,579,672	136,964,704	—
Current Liabilities	Before Distribution	103,990,484	77,326,260	57,291,101	44,873,539	32,180,086	—
	After Distribution (Note 2)	103,990,484	77,326,260	64,995,012	52,577,450	36,802,432	—
Long-term Liabilities		1,845,114	3,403,023	6,226,431	10,740,671	8,695,459	—
Total Liabilities	Before Distribution	105,835,598	80,729,283	63,517,532	55,614,210	40,875,545	—
	After Distribution (Note 2)	105,835,598	80,729,283	71,221,443	63,318,121	45,497,891	—
Equity attributed to parent company's shareholders		151,219,313	133,050,446	122,629,326	115,762,580	95,897,663	—
Capital		7,703,911	7,703,911	7,703,911	7,703,911	7,703,911	—
Capital reserve		20,238,740	20,270,956	20,269,657	20,274,286	20,276,071	—
Retained earnings	Before Distribution	130,686,978	111,282,634	97,143,287	82,827,439	62,330,904	—
	After Distribution (Note 2)	130,686,978	111,282,634	89,439,376	75,123,528	57,708,558	—
Other equity		-7,410,316	-6,207,055	-2,487,529	4,956,944	5,586,777	—
Treasury stock		0	0	0	0	0	—
Minority equity		105,002	84,233	200,726	202,882	191,496	—
Total Equity	Before Distribution	151,324,315	133,134,679	122,830,052	115,965,462	96,089,159	—
	After Distribution	151,324,315	133,134,679	115,126,141	108,261,551	91,466,813	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: Because 2019 shareholders' meeting has not yet been convened, the amount after distribution in 2018 represents the same as the amount before distribution.

Note 3: Up until the printing date, Q1/2019 financial report is not yet available.

(2) Abbreviated Parent Company Balance Sheet -IFRS

Item \ Year		Past Five Fiscal Year (Note1)					As of 2019/03/31
		2018	2017	2016	2015	2014	(Note 3)
Current Assets		94,542,208	89,805,016	66,840,329	58,234,017	21,821,968	—
Property, Plant and Equipment		6,896,206	6,210,883	5,989,971	5,804,281	6,023,585	—
Intangible Assets		53,411	2,988	2,041	4,829	6,229	—
Other Assets		144,074,919	123,081,770	112,783,180	103,342,337	88,251,251	—
Total Assets		245,566,744	219,100,657	185,615,521	167,385,464	116,103,033	—
Current Liabilities	Before Distribution	94,292,872	85,967,923	62,070,808	48,064,998	20,010,906	—
	After Distribution (Note 2)	94,292,872	85,967,923	69,774,719	55,768,909	24,633,252	—
Long-term Liabilities		54,559	82,288	915,387	3,557,886	194,464	—
Total Liabilities	Before Distribution	94,347,431	86,050,211	62,986,195	51,622,884	20,205,370	—
	After Distribution (Note 2)	94,347,431	86,050,211	70,690,106	59,326,795	24,827,716	—
Equity attributed to parent company's shareholders		151,219,313	133,050,446	122,629,326	115,762,580	95,897,663	—
Capital		7,703,911	7,703,911	7,703,911	7,703,911	7,703,911	—
Capital reserve		20,238,740	20,270,956	20,269,657	20,274,286	20,276,071	—
Retained earnings	Before Distribution	130,686,978	111,282,634	97,143,287	82,827,439	62,330,904	—
	After Distribution *Note 2)	130,686,978	111,282,634	89,439,376	75,123,528	57,708,558	—
Other equity		-7,410,316	-6,207,055	-2,487,529	4,956,944	5,586,777	—
Treasury stock		0	0	0	0	0	—
Minority equity		0	0	0	0	0	—
Total Equity Total Equity	Before Distribution After Distribution	151,219,313	133,050,446	122,629,326	115,762,580	95,897,663	—
	Before Distribution (Note 2)	151,219,313	133,050,446	114,925,415	108,058,669	91,275,317	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: Because 2019 shareholders' meeting has not yet been convened, the amount after distribution in 2018 represents the same as the amount before distribution.

Note 3: Up until the printing date, Q1/2019 audited financial report is not yet available.

(3) Abbreviated Consolidated Income Statement -IFRS

Unit : in thousand NTD (EPS: NTD)

Item \ Year	Past Five Fiscal Year (Note1)					As at 2019/03/31
	2018	2017	2016	2015	2014	(Note3)
Net Operating Revenues	95,416,141	93,295,960	79,113,653	82,413,385	55,277,365	—
Gross Profit	38,624,196	41,969,517	34,397,630	38,146,556	26,101,348	—
Operating Income (Loss)	29,604,362	33,433,242	27,490,819	29,425,687	20,024,925	—
Net Non-operating Income (expenses)	11,714,774	-688,024	5,134,229	5,271,311	3,519,678	—
Income (loss) Before Tax From Continuing Operations	41,319,136	32,745,218	32,625,048	34,696,998	23,544,603	—
Income (loss) From Continuing Operations	27,994,853	21,857,599	22,068,278	25,181,351	17,887,757	—
Income (loss) From Discontinued Operations	—	—	—	—	—	—
Net Profit (loss)	27,994,853	21,857,599	22,068,278	25,181,351	17,887,757	—
Other Comprehensive Income (loss)	-528,309	-3,726,580	-7,512,681	-680,917	4,783,066	—
Total Comprehensive Income (loss)	27,466,544	18,131,019	14,555,597	24,500,434	22,670,823	—
Net Profit attributed to Parent Company's shareholders	27,972,188	21,843,250	22,019,794	25,120,856	17,877,167	—
Net Profit attributed to minority	22,665	14,349	48,484	60,495	10,590	—
Comprehensive Income attributed to Parent Company's shareholders	27,445,775	18,123,732	14,575,286	24,489,048	22,649,946	—
Comprehensive Income attributed to minority	20,769	7,287	-19,689	11,386	20,877	—
Earnings Per Share (Note 2)	36.31	28.35	28.58	32.61	23.52	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note 3: Up until the printing date, audited Q1/2019 financial report is not yet available.

(4) Abbreviated Parent Company's Income Statement -IFRS

Item \ Year	Past Five Fiscal Year (Note1)					As at 2019/03/31
	2018	2017	2016	2015	2014	(Note 3)
Net Operating Revenues	66,951,051	65,607,147	59,353,755	60,170,232	14,880,243	
Gross Profit	8,393,585	7,591,901	5,053,498	6,880,773	4,446,051	—
Operating Income (Loss)	7,509,608	6,742,308	4,253,180	5,773,045	3,864,901	—
Net Non-operating Income (expenses)	23,368,943	18,507,660	21,101,513	21,748,436	15,654,274	—
Income (loss) Before Tax From Continuing Operations	30,878,551	25,249,968	25,354,693	27,521,481	19,519,175	—
Income (loss) From Continuing Operations	27,972,188	21,843,250	22,019,794	25,120,856	17,877,167	—
Income (loss) From Discontinued Operations	—	—	—	—	—	—
Net Profit (loss)	27,972,188	21,843,250	22,019,794	25,120,856	17,877,167	—
Other Comprehensive Income (loss)	-526,413	-3,719,518	-7,444,508	-631,808	4,772,779	—
Total Comprehensive Income (loss)	27,445,775	18,123,732	14,575,286	24,489,048	22,649,946	—
Net Profit attributed to Parent Company's shareholders	—	—	—	—	—	—
Net Profit attributed to minority	—	—	—	—	—	—
Comprehensive Income attributed to Parent Company's shareholders	—	—	—	—	—	—
Comprehensive Income attributed to minority	—	—	—	—	—	—
Earnings Per Share (Note 2)	36.31	28.35	28.58	32.61	23.52	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note 3: Up until the printing date, Q1/2019 audited financial report is not yet available.

2. Names of the Auditors and the Opinions:

Year	CPA Firm	CPA	Auditors' Opinion	Reason for change CPA
2014	Deloitte & Touche	Hung Ju Liao Chi Chen Lee	Revised unqualified opinion	
2015	Deloitte & Touche	Hung Ju Liao Chun Chi Kung	Revised unqualified opinion	Job rotation inside CPA firm
2016	Deloitte & Touche	Hung Ju Liao Chun Chi Kung	unqualified opinion	
2017	Deloitte & Touche	Chi Chen Lee Chun Chi Kung	unqualified opinion	Job rotation inside CPA firm
2018	Deloitte & Touche	Chi Chen Lee Chun Chi Kung	unqualified opinion	

2. Financial Analysis for the Past Five Years

(1) Consolidated Financial Analysis -IFRS

Analysis Items		Financial Information For The Past 5 Years (Note 2)					As of 2019/03/31
		2018	2017	2016	2015	2014	(Note 3)
Capital Structure (%)	Debt ratio	41.15	37.74	34.08	32.41	29.84	—
	Long-term Funds to Fixed Assets	300.84	255.53	240.19	197.08	211.20	—
Liquidity (%)	Current Ratio	188.96	195.84	223.32	230.76	248.22	—
	Quick Ratio	162.00	180.04	215.02	209.41	216.18	—
	Times Interest Earned	8,890.80	10,426.33	13,866.71	20,135.33	14,438.28	—
Operating Performance	Accounts Collection Turnover (times)	3.33	2.84	2.56	3.34	2.87	—
	Average Collection Days	109.60	128.52	142.57	109.28	127.17	—
	Inventory Turnover (times)	3.29	8.05	8.35	6.89	6.16	—
	Average Payable Turnover (times)	4.33	5.86	7.60	7.07	5.30	—
	Inventory Turnover Days	110.94	45.34	43.71	52.97	59.25	—
	Fixed asset Turnover (times)	1.86	1.80	1.44	1.58	1.22	—
	Total asset Turnover (times)	0.40	0.46	0.44	0.53	0.40	—
Profitability	Return on Assets (%)	12.02	11.02	12.42	16.40	14.87	—
	Return on Equity (%)	19.69	17.09	18.51	23.79	21.12	—
	Income Before Tax as % of Capital	536.33	425.04	423.48	450.38	305.62	—
	Net income to Sales (%)	29.33	23.42	27.89	30.55	32.36	—
	EPS (NTD) (Note 1)	36.31	28.35	28.58	32.61	23.52	—
Cash Flow (%)	Cash Flow Ratio	25.89	42.49	46.23	74.07	83.85	—
	Cash Flow Adequacy Ratio	108.83	123.13	121.23	111.34	105.78	—
	Cash flow Reinvestment Ratio	8.37	13.57	11.18	18.17	18.32	—
Leverage	Operating Leverage	2.22	1.98	2.03	1.99	1.97	—
	Financial Leverage	1.01	1.00	1.00	1.00	1.01	—

Please explain the changes of any financial information in the past 5 years. (excluding changes less than 20%)

Note1: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note2: The financial information over the past 5 years has been audited by independent auditors.

Note3: Up until the printing date, Q1/2019 audited financial report is not available

Explanations for Significant Changes (over 20%)

- Times Interest Earned: The ratio increased due to better sales performance and increasing profits
- Average Payable Turnover (times): The turnover rate increased because of better sales performance and rising operating cost.
- Fixed asset Turnover (times), Total asset Turnover (times): The turnover rate rose as the profits grew substantially on better sales performance.
- Income Before Tax as % of Capital, EPS: Pretax income improved due to better sales performance and resulted in substantial growth in profits

(2) Parent Company Financial Analysis -IFRS

Analysis Items \ Year		Financial Information For The Past 5 Years (Note 2)					As of 2019/03/31 (Note 3)
		2018	2017	2016	2015	2014	
Capital Structure (%)	Debt Ratio	38.42	39.27	33.93	30.84	17.40	—
	Long-term Funds to Fixed Assets	2,192.78	2,142.21	2,047.24	1,994.43	1,592.03	—
Liquidity (%)	Current Ratio	100.26	104.46	107.68	121.15	109.05	—
	Quick Ratio	89.03	99.11	105.47	120.11	107.00	—
	Times Interest Earned	8,198.42	8,968.47	11,177.48	16,021.80	13,075.50	—
Operating Performance	Accounts Collection Turnover (times)	4.13	2.95	2.72	4.21	2.22	—
	Average Collection Days	88.37	123.72	134.19	86.69	164.41	—
	Inventory Turnover (times)	8.35	26.23	80.17	136.46	27.81	—
	Average Payable Turnover (times)	2.26	2.4	2.9	5.06	7.01	—
	Inventory Turnover Days	43.71	13.91	4.55	2.67	13.12	—
	Fixed asset Turnover (times)	10.21	10.75	10.06	10.17	2.47	—
	Total asset Turnover (times)	0.28	0.32	0.33	0.42	0.13	—
Profitability	Return on Assets (%)	12.18	10.91	12.58	17.83	17.33	—
	Return on Equity (%)	19.68	17.08	18.47	23.73	21.11	—
	Income Before Tax as % of Capital	400.81	327.75	329.11	357.24	253.37	—
	Net income to Sales (%)	41.78	33.29	37.09	41.74	120.14	—
	EPS (NTD) (Note 1)	36.31	28.35	28.58	32.61	23.52	—
Cash Flow (%)	Cash Flow Ratio	2.95	23.94	-2.51	34.41	16.81	—
	Cash Flow Adequacy Ratio	84.74	106.5	72.77	113.10	44.88	—
	Cash flow Reinvestment Ratio	-4.12	9.36	-7.26	9.72	-0.40	—
Leverage	Operating Leverage	5.35	5.8	8.12	6.18	2.57	—
	Financial Leverage	1.05	1.04	1.05	1.03	1.04	—

Please explain the changes of any financial information in the past 5 years. (excluding changes less than 20%)

Note1: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note2: The financial information over the past 5 years has been audited by independent auditors.

Note3: Up until the printing date, Q1/2019 financial report is not available

Explanations for Significant Changes (over 20%)

- Inventory turnover rates (times) 、 average inventory days(times): The turnover rate increased due to higher sales revenues and rising operating cost; therefore, the inventory turnover rate improved and the inventory days decreased.
- Operating leverage: The figure increased because of the higher increase in operating profits than growth in operating cost
- Cash flow ratio, Cash Flow Adequacy Ratio, Cash flow reinvestment ratio: The ratio increased due to better cash inflow from operating activities.

Formula for Financial Analysis :

A. Capital Structure

- Debt ratio = Total liabilities/Total assets
- Long-term funds to fixed assets = (Stockholders' equity + Long-term Liabilities) / Net Fixed Assets

B. Liquidity

- $\text{Current ratio} = \text{Current assets} / \text{Current liability}$
- $\text{Quick ratio} = (\text{Current asset} - \text{Inventories} - \text{Prepaid Expense} - \text{Current Deferred Income Tax}) / \text{Current Liability}$
- $\text{Times interest earned} = \text{Earnings before interest and Taxes} / \text{Interest Expense}$

C. Operating Performance

- $\text{Accounts collection turnover (times)} = \text{Net Sales} / \text{Average Trade Receivable}$ (including accounts receivable and notes receivable from operating)
- $\text{Average collection days} = 365 / \text{Average Collection Turnover (Times)}$
- $\text{Inventory turnover times} = \text{Cost of Goods Sold} / \text{Average Inventory}$
- $\text{Average payable turnover (times)} = \text{Cost of Goods Sold} / \text{Average Trade Payables}$ (including accounts payable and notes payable from operating)
- $\text{Inventory turnover days} = 365 / \text{Inventory Turnover (times)}$
- $\text{Fixed assets turnover (times)} = \text{Net Sales} / \text{Average Fixed Assets}$
- $\text{Total assets turnover (times)} = \text{Net sales} / \text{Average Total Assets}$

D. Profitability

- $\text{Return on total assets} = [\text{Net Income after Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$
- $\text{Return on Equity} = \text{Net Income after Tax} / \text{Average Stockholders' Equity}$
- $\text{Net income to sales} = \text{Net Income after Tax} / \text{Net Sales}$
- $\text{EPS} = (\text{Net Income after Tax} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

E. Cash Flow

- $\text{Cash flow ratio} = \text{Net operating cash flow} / \text{Current liability}$
- $\text{Cash flow adequacy ratio} = \text{Net operating cash flow over the last 5 years} / (\text{capital expense} + \text{inventory} + \text{cash dividend})$
- $\text{Cash flow reinvestment ratio} = (\text{Net operating cash flow} - \text{cash dividends}) / (\text{Gross fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})$

F. Leverage

- $\text{Operating leverage} = (\text{Net Sales} - \text{Variable Cost \& expense}) / \text{Income from Operations}$
- $\text{Financial leverage} = \text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

3. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Financial Statements. Independent auditors, Certified Public Accountants of Deloitte & Touche, have audited the Financial Statements. The Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee of CATCHER. The Audit Committee hereby submits this report according to Article 14-5 of the Securities and Exchange Act and Article 219 of the Company Act.

Catcher Technology Co., Ltd.

Audit Committee Members

Independent Director:



March 6 , 2019

4. Consolidated Financial Statements

Please refer to appendix 1

5. Financial Statements

Please refer to appendix 2

6. Financial Difficulties Information

None.

Seven 、 Financial Position, Business Performance and Risks

1. Financial Position

Analysis of Financial Position

Unit: in thousand NTD

Item \ Year	2018	2017	Difference	
			Amount	%
Current Assets	196,505,238	151,436,277	45,068,961	30%
Fixed Assets, Plant and Equipment	50,264,399	52,066,481	-1,802,082	-3%
Intangible Assets	125,689	81,700	43,989	54%
Other Assets	10,264,587	10,279,504	-14,917	0%
Total assets	257,159,913	213,863,962	43,295,951	20%
Current Liabilities	103,990,484	77,326,260	26,664,224	34%
Long-term Liabilities	1,845,114	3,403,023	-1,557,909	-46%
Total liabilities	105,835,598	80,729,283	25,106,315	31%
Equity attributed to parent company's shareholders	151,219,313	133,050,446	18,168,867	14%
Capital	7,703,911	7,703,911	0	0%
Capital Reserve	20,238,740	20,270,956	-32,216	0%
Retained Earnings	130,686,978	111,282,634	19,404,344	17%
Shareholders' Equity - others	-7,410,316	-6,207,055	-1,203,261	19%
Treasury stock	0	0	0	0%
Minority equity	105,002	84,233	20,769	25%
Total Equity	151,324,315	133,134,679	18,189,636	14%

(1) Explanations for Significant Changes in Financial Position

- Increasing intangible assets due to acquisition of computer software and emission right.
- Current asset and total liabilities increased due to increase of short-term borrowing from bank in this year.
- Decrease in long-term liabilities due to decrease of deferred income for equipment has been re-recognized into fixed assets.
- Increase in monitoring equity due to increase of profit by subsidiaries.

(2) Significant Influences by the Changes

No material influences.

(3) Action Plans for the Influences

Not Applicable

2. Operating Results

(1) Analysis of Operating Results

Unit: in thousand NTD

Item \ Year	2018	2017	Increase (Decrease) Amount	Percentage of change (%)
Net sales	95,416,141	93,295,960	2,120,181	2%
Gross Profit	38,634,196	41,969,517	-3,345,321	-8%
Operating Income (Loss)	29,604,362	33,433,242	-3,838,880	-11%
Non-Operating Income (Expenses)	11,714,774	-688,024	12,402,798	-1803%
Income before Income Tax	41,319,136	32,745,218	8,573,918	26%
Profit from Continuing Operations	27,994,853	21,857,599	6,137,254	28%
Loss from Discontinued Operations	—	—	—	—
Net Income (Loss)	27,994,853	21,857,599	6,137,254	28%
Other Comprehensive Income	-528,309	-3,726,580	3,198,271	-86%
Total Comprehensive Income	27,466,544	18,131,019	9,335,525	51%
Net Profit attributed to Parent Company's shareholders	27,972,188	21,843,250	6,128,938	28%
Net Profit attributed to Non-Controlling Equity	22,665	14,349	8,316	58%
Total Comprehensive Income attributed to Parent Company's shareholders	27,445,775	18,123,732	9,322,043	51%
Total Comprehensive Income attributed to Non-controlling Equity	20,769	7,287	13,482	185%
Earnings per Share	36.31	28.35	7.96	28%

A. Explanations for Significant Changes

- Increase in sales, gross profit, operating income, net profits and net profit attributed to parent company's shareholders were attributed to the increasing parent company's shareholders due to increase of the group's non-operating income.
- Increase in net profit attributed to non-controlling equity was because of the growing profit from affiliated companies invested by the Company.
- Increase in non-operating income and expenditure were due to exchange interest increase from foreign net asset exchange to NTD resulting from continual depreciation of NTD.
- Increase in other comprehensive income was because of exchange rate fluctuation to generate foreign currency exchange difference.
-

B. Sales Quantities Estimation for Next Year

Non Applicable as this company doesn't compile and publicly announce fiscal forecast.

C. Possible Impact on Future Business and Responsive Plans

No significant impact on financial and business.

3. Analysis on Cash Flow

Unit: in thousand NTD

Cash Balance at the Beginning of the Year (A) (2017.12.31)	Net Cash Provided by Operating Activities (B) (2018)	Net cash Provided from Investing and Financing Activities (C) (2018)	Impact from changes in Foreign Currency Exchange Rate (D) (2018)	Balance of Net Cash (A+B+C+D) (2018.12.31)	Remedy for cash shortfall	
					Investment Plan	Finance plan
\$17,016,764	\$26,929,145	-\$13,964,689	-\$676,720	\$29,304,500	—	—

(1)Analysis Cash Flow Changes during the Most Recent Fiscal Year

➤ Operating Activities

Cash inflow approximately NTD 26,929,145 thousand was mainly because the Company continued to generate profits and collection of accounts receivable.

➤ Investing Activities

Cash outflow approximately NTD 29,972,099 thousand was mainly due to the increase in amortized financial assets of cost measurement and purchasing real estate, factories and equipment/machinery.

➤ Financing Activities

Cash inflow approximately NTD 16,007,410 thousand was mainly due to increase in short-term borrowings.

(2)Action Plans to Improve the Cash Flow

Not Applicable

(3)Cash Liquidity Analysis for the Upcoming Year

Not Applicable

4. Impact on the Company's Financial Operations and Contingency Action Regarding Major Capital Expenditures

(1) Major Capital Expenditures

Unit: in thousand NTD

Plan	Actual or Expected Sources of Capital	Actual or Planned Completion Date	Expected Benefits
-Construction of Factories -Machinery and Equipment	-Self owned capital -Bank loans -Bonds	In progress	To plan better working environment for the Company's long-term management.
			For capacity expansion to enhance the competitiveness of Catcher and improve the operating efficiency, which shall benefit shareholders.

5. Investment Policy, Causes of Profit/Loss and Future Investment Plans

(1) Investment Policy

(2) Causes of Profit / Loss

The Company has recognized investment gains of \$ 19,216,867 thousand in 2018. These gains were mostly contributed from subsidiaries.

6. Risk Management and Evaluation

(1)Impact on Corporate Profitability from Fluctuating Interest Rates, Exchange Rates, and Inflation

A. Interest Rate Risk

The Company's interest rate risk is generated from the short-term liabilities of operating activities. The risk is low because of adopting stable rate and low-cost financial instruments. For the respect of assets, we mostly invest in high-liquidity, short-term fixed-income bonds or term deposits in order to protect capital and reduce risks.

B. Exchange Rate Risk

The Company mostly charges US dollars from sales, and most payable for machinery/equipment by Japanese yen. The Company's foreign currency policy is relative conservative by dynamically adjusting assets and liabilities positions and engaging in hedge instruments to lower exchange rate risk.

C. Inflation Risk

The international gasoline and raw material prices have been returned to a normal level and the inflation risk has been turned down as well. In the long term, the Company will adjust its inventory stock level to reduce possible impact from inflation risk.

(2) Profit or Loss from Activities in High Risk and Highly Leveraged Investments, Loans Provided to Others, Endorsements and Guarantees, and Derivatives

Catcher did not engage in any high-risk investment or any leveraged investment. Parties who were given endorsements or loans by Catcher were all subsidiaries or operation needed. The endorsements and loans policy are all followed by the Company's Endorsement and Guarantee Procedure and Lending of Capital Procedure. All the derivatives engaged by the Company were under non-trading purpose. They are mainly to lower the risk of the exchange rate. We comply with the Company's Procedures of Asset Acquisition and Disposition where regulates in conducting derivatives transactions.

(3) Upcoming R&D Plans and Their Status

Please refer to the disclosure information of R&D status in the section of "Reports to the Shareholders" for details.

(4) Impact on the Company's Financial Operation and Contingency Action Regarding Recent Changes in Domestic and International Policies and Regulations

The Company has dedicated staff to follow the important domestic and international policy and legal changes at any time; responding for seeking professional advices such as lawyer and accountant and plan preventative actions. During 2018, such changes have no major impact on our operation.

(5) Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Technology

We pay full attention on collecting and analyzing the market and technology's development changes of various alloy products. Thus, we are able to minimize the impact from technology changes. In addition to enhance in value-added and high profit products' developments, we continue to focus on diversity in product and profit improvement. . Also we emphasize on keeping long-term relationship with our customers by providing total solutions of product designs, mass production, logistic supports, sales distribution, and customer services. Thus, we can reduce the impacts on changes in technology.

(6) Impact on the Company's Risk Management and Contingency Action Regarding Recent Changes in Corporate Image

Our Company has always upheld integrity and abides by the law and fulfills social responsibility; hence our corporation image has been superior. As of the date of publishing this annual report there are no matters risking the Company's normal operation or corporate image.

(7) Risk from the Company's Any Merger and Acquisitions

As of the date of publishing this annual report there is no such issues incurred.

(8) Risk of Excess Capacity from Fluctuating Economics Conditions

After appropriate analysis in the industry, market status, cost, and production of the Company in different bases, we has maintained a leading position in technology and processing within the industry. We aim to improve the productivity and yield for cost advantages, as well as decreasing the risk of expanding the plants; hopefully this would significantly boost the corporation profit performance.

(9) Risk of Profit/Loss if Sales/Material are Concentrated on a Single or Few

Customers/Suppliers, and a Major Customers/Supplier Reduces its Orders/Supplies

A. Risk of Sales Concentrated

Major customers are disclosed in operation overview section. Although the major operating revenues are from international big brand customers, there is no material risk in sales concentration. However, the Company's sales still depends on the status of prosperity of the economics status, customers' product designs, outsourcing strategy and inventory adjustment.

B. Risk of Suppliers concentrated

The major vendors are disclosed in operation overview section. There is no material purchase concentrated situation.

From the perspective of Catcher and the industry, it is better toward to dispersion in purchase and sales. We will continue putting efforts and keeping the business in a balance and conservative status.

(10) Risk of Change of Control and Stock Price Fluctuation from Large Scale Transfer of Shares

Directors and major shareholders all keep a positive perspective to Company. However, shareholders may have their personal considerations regarding their portfolios or tax concerns. When our directors and major shareholders (>10% holding) are planning to take a major transfer, they might communicate with the Board and managements. Thus, there is no negative impact to the Company's operation and shareholders' equity. We follow the regulations and consider the Company's profit and shareholders' benefit at first priority. Up until the printing date, there is no shareholders with more than 10% shareholdings.

(11) Risk of the Company Losing One or More Key Personnel without Adequate Replacement Due to Any Change of Company Control

There is no change in governance personnel being taken during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

(12) Litigation and Non-litigated Incidents

The financial report has full disclosed the related litigation and non-litigation matters and their effects.

(13) Other Significant Risks

None

7. Other Necessary Supplements

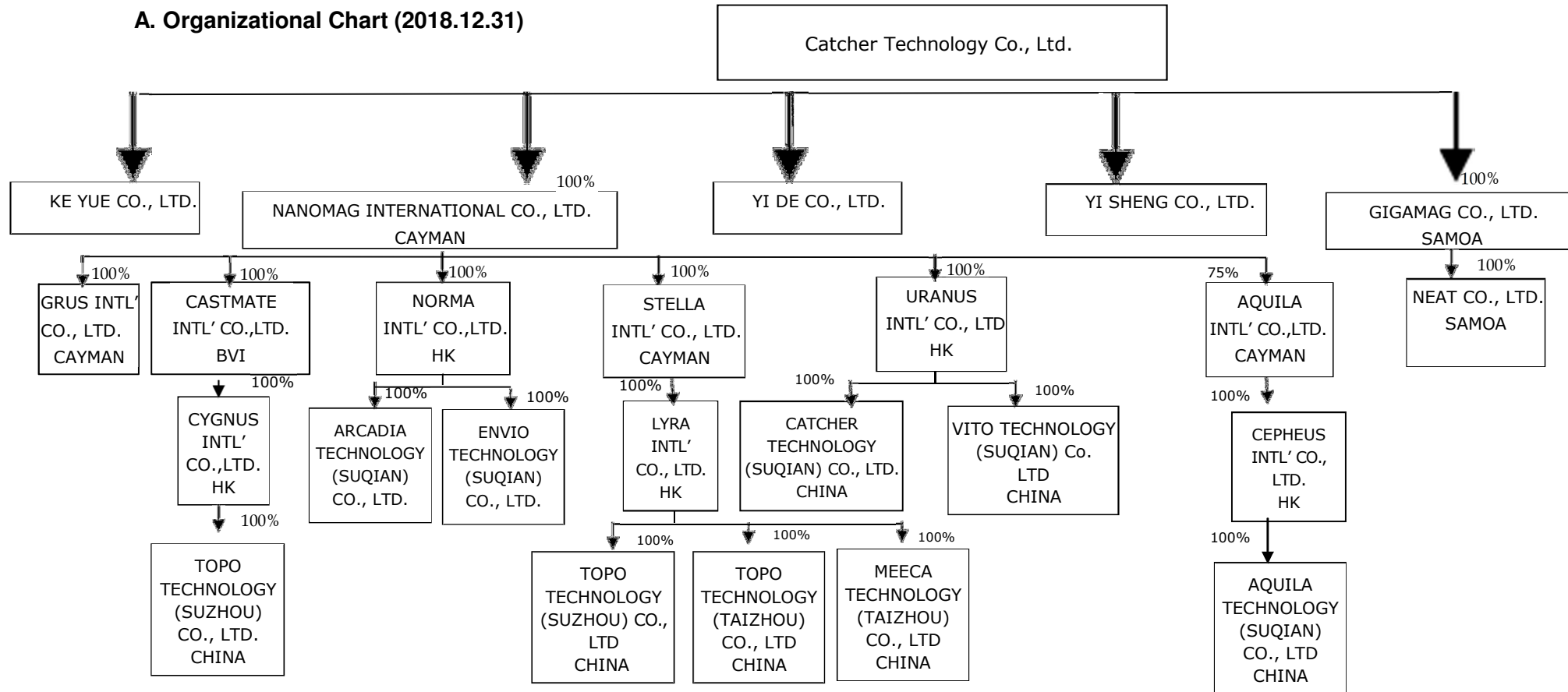
None

Eight 、 Special items to be included

1. Summary of Affiliated Enterprises

(1)The Consolidated Operating Report

A. Organizational Chart (2018.12.31)



B. Basic Information of the Company's Affiliated Enterprises:

2018/12/31; Unit: in thousand NTD

Name of Corporation	Date of incorporation	Address	Capital	Major Business
Nanomag International Co., Ltd.	2001.07.19	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	1	Investment activities
Gigamag Co., Ltd.	2000.12.15	Offshore Chambers,P.O.Box 217, Apia,Samoa	484,941	Investment activities
Castmate International Co., Ltd.	1998.04.15	P.O. Box 957 offshore Incorporations Centre Road Town, Tortola, Birtissh Virgin Islands	31,010	Investment activities
Stella International Co., Ltd.	2003.11.13	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	10,199,811	Investment activities
Aquila International Co., Ltd.	2005.01.06	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	43,001	Investment activities
Uranus International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	12,255,573	Investment activities
Grus International Co., Limited	2009.09.24	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	0	Investment activities
Norma International Co., Limited	2014.09.18	12/F, RUTTONJEE HOUSE, 11 DUDELL STREET, CENTRAL, HONG KONG	9,200,177	Investment activities
Cygnus International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	307,312	Investment activities
Lyra International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	10,199,021	Investment activities
Cepheus International Co., Limited	2007.11.09	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	43,001	Investment activities
Neat Co., Ltd	2017.03.03	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	307	International Trades

Topo Technology (Suzhou) Co., Ltd.	2003.12.22	No 111, ChangYang St. Suzhou Industrial Park, Suzhou City, Jingsu Province, the PRC	307,457	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	2006.03.14	No 107, ChangYang St. Suzhou Industrial Park, Suzhou City, Jingsu Province, the PRC	307,150	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Topo Technology (Taizhou) Co., Ltd.	2012.06.12	No 227, Xiangtai Rd., Taizhou City	5,740,063	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Meeca Technology (Taizhou) Co., Ltd.	2016.05.03	No 227, Xiangtai Rd., Taizhou City	5,937,477	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Catcher Technology (Suqian) Co., Ltd.	2008.12.09	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	6,143,000	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
VITO Technology (Suqian) Co., Ltd.	2012.07.11	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	5,895,922	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Arcadia Technology (Suqian) Co., Ltd.	2014.10.23	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	6,046,754	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Aquila Technology (Suqian) Co., Ltd.	2005.03.21	Factories A08-A10, SU-SU Industrial Park, Suqian City,SUZHOU	43,001	Manufacturing and marketing of electronic parts and molds
EnvioTechnology (Suqian) Co., Ltd.	2017.05.18	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	3,026,711	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Ke Yue Co., Ltd.	2018.03.07	1f, No. 10, Ln. 138, RenAi St., Yanxing Vil., Yongkang Dist., Tainan City	1,129,000	Investment activities
Yi Sheng Co., Ltd.	2018.03.07	1f, No. 10, Ln. 138, RenAi St., Yanxing Vil., Yongkang Dist., Tainan City	298,000	Investment activities
Yi De Co., Ltd.	2018.03.07	1f, No. 10, Ln. 138, RenAi St., Yanxing Vil., Yongkang Dist., Tainan City	298,000	Investment activities

C. Information for Common Shareholders of Treated-as Controlled Companies and Affiliates

None.

D. Business of Catcher's Affiliates and their relationship

2018.12.31

Major Business	Name of Affiliated Enterprises	Relationship in between
Investment activities	Nanomag International Co., Ltd.	Invest in Castmate International Co., Ltd. 、 Stella International Co., Ltd. 、 Aquila International Co., Ltd. 、 Uranus International Co., Limited 、 Grus International Co., Limited 、 Norma International Co., Limited

Investment activities	Gigamag Co., Ltd.	Invest in Neat Co., LTD.
Investment activities	Castmate International Co., Ltd.	Invest in Cygnus International Co., Limited
Investment activities	Stella International Co., Ltd.	Invest in Lyra International Co., Limited
Investment activities	Aquila International Co., Ltd.	Invest in Cepheus International Co., Limited
Investment activities	Uranus International Co., Limited	Invest in Catcher Technology (Suqian) Co., Ltd., Vito Technology (Suqian) Co., Ltd.
Investment activities	Norma International Co., Limited	Invest in Vito Technology (Suqian) Co., Ltd., Envio Technology (Suqian) Co., Ltd.
Investment activities	Cygnus International Co., Limited	Meeca Technology (Suzhou) Co., Ltd.
Investment activities	Lyra International Co., Limited	Invest in Topo Technology (Suzhou) Co., Ltd., Topo Technology (Taizhou) Co., Ltd., Meeca (Taizhou) Co., Ltd.
Investment activities	Cepheus International Co., Limited	Invest in Aquila Technology (Suzhou)Co., Ltd.
Investment activities	Ke Yue Co., Ltd.	None
Investment activities	Yi Sheng Co., Ltd.	None
Investment activities	Yi De Co., Ltd.	None
International Trade	Neat Co., LTD.	None
Manufacturing and sales of electronics products	Topo Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Meeca Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Topo Technology (Taihou) Co., Ltd.	Manufacturing and sales of alloying products and molds
Manufacturing and sales of electronics products	Catcher Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	VITO Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Arcadia Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Topo Technology (Taizhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Aquila Technology (Suzhou) Co., Ltd.	Sales and production of molds and electronic parts
Manufacturing and sales of electronics products	Envio Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products

E. Directors, Supervisors and General Manager of Affiliated Enterprises

Unit: Share; %

Name of Corporation	Title		Shareholding	
			Shares	%
Nanomag International Co., Ltd.	Director	Catcher Technology Co., Ltd.	30	100
Gigamag Co., Ltd.	Director	Catcher Technology Co., Ltd.	14,377,642	100
Grus International Co., Ltd.	Director	Nanomag International Co., Ltd.	0	0
Castmate International Co., Ltd.	Director	Nanomag International Co., Ltd.	1,009,592	100
Stella International Co., Ltd.	Director & General Manager	Nanomag International Co., Ltd.	332,079,144	100
Aquila International Co., Ltd.	Director & General Manager	Nanomag International Co., Ltd.	299,533,691	75
Uranus International Co., Ltd.	Director	Mei-Hsing Chen	0	0
Cygnus International Co., Ltd.	Director	Mei-Hsing Chen	0	0
Lyra International Co., Limited	Director	Mei-Hsing Chen	0	0
Cepheus International Co., Limited	Director	Mei-Hsing Chen	0	0
Norma International Co., Limited	Director	Mei-Hsing Chen	0	0
Neat Co., Ltd.	Director	Gigamag Co., Ltd.	0	0
Topo Technology (Suzhou) Co., Ltd.	Director & Chairman	Lyra International Co., Limited Representative: Lawrence Kuo	0	0
	Director	Lyra International Co., Limited Representative: Magic Liu	0	0
	Director	Lyra International Co., Limited Representative: Jay Tseng	0	0
	Supervisor	Lyra International Co., Limited Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
Meeca Technology (Suzhou) Co., Ltd.	Director & Chairman	Cygnus International Co., Limited Representative: Jeff Cheng	0	0
	Director	Cygnus International Co., Limited Representative: Magic Liu	0	0
	Director	Cygnus International Co., Limited Representative: Jay Tseng	0	0
	Supervisor	Cygnus International Co., Limited Representative: Pi-Fen Hung	0	0
	CEO	Tien Szu Hung	0	0

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Catcher Technology (Suqian) Co., Ltd.	Director & Chairman	Uranus International Co., Ltd. Representative: Jay Tseng	0	0
	Director	Uranus International Co., Ltd. Representative: Lawrence Kuo	0	0
	Director	Uranus International Co., Ltd. Representative: Jodan Yang	0	0
	Supervisor	Uranus International Co., Ltd. Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
VITO Technology (Suqian) Co., Ltd.	Director & Chairman	Uranus International Co., Ltd. Representative: Jay Tseng	0	0
	Director	Uranus International Co., Ltd. Representative: Magic Liu	0	0
	Director	Uranus International Co., Ltd. Representative: Jodan Yang	0	0
	Supervisor	Uranus International Co., Ltd. Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
ENVIO Technology (Suqian) Co., Ltd.	Director & Chairman	Norma International Co., Limited Representative: Jay Tseng	0	0
	Director	Norma International Co., Limited Representative: Lawrence Kuo	0	0
	Director	Norma International Co., Limited Representative: Jeff Cheng	0	0
	Supervisor	Norma International Co., Limited Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
TOPO Technology (Taizhou) Co., Ltd.	Director & Chairman	Lyra International Co., Ltd. Representative: Jodan Yang	0	0
	Director	Lyra International Co., Ltd. Representative: Magic Liu	0	0
	Director	Lyra International Co., Ltd. Representative: Jeff Cheng	0	0
	Supervisor	Lyra International Co., Ltd. Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
MEECA Technology (Taizhou) Co., Ltd.	Director & Chairman	Lyra International Co., Ltd. Representative: Jodan Yang	0	0
	Director	Lyra International Co., Ltd. Representative: Magic Liu	0	0
	Director	Lyra International Co., Ltd. Representative: Jeff Cheng	0	0
	Supervisor	Lyra International Co., Ltd. Representative: Pi-Fen Huang	0	0
	CEO	Tien Szu Hung	0	0
Aquila Technology (Suqian) Co., Ltd.	Director & Chairman	Cepheus International Co., Limited Representative: ANG KAH KWEE	—	—
	Director	Cepheus International Co., Limited Representative: Lawrence Kuo	—	—
	Director	Cepheus International Co., Limited Representative: Jeff Cheng	—	—
	Supervisor	Cepheus International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Ang Kah Kwee	—	—
Envio Technology (Suqian) Co., Ltd.	Director & Chairman	Norma International Co., Limited Representative: Jay Tseng	—	—
	Director	Norma International Co., Limited Representative: Magic Liu	—	—
	Director	Norma International Co., Limited Representative: Jeff Cheng	—	—
	Supervisor	Norma International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Ang Kah Kwee	—	—

Ke Yue Co., Ltd.	Director & Chairman	Catcher Technology Co., Ltd. Representative: Mei-Hsing Chen	11,290,000	0
	Director	Catcher Technology Co., Ltd. Representative: James Wu	11,290,000	0
	Director	Catcher Technology Co., Ltd. Representative: Shu-Huei, Huang	11,290,000	0
	Supervisor	Catcher Technology Co., Ltd. Representative: Ming-Yu-Teng	11,290,000	0
Yi Sheng Co., Ltd.	Director & Chairman	Catcher Technology Co., Ltd. Representative: Mei-Hsing Chen	3,070,000	0
	Director	Catcher Technology Co., Ltd. Representative: James Wu	3,070,000	0
	Director	Catcher Technology Co., Ltd. Representative: Shu-Huei, Huang	3,070,000	0
	Supervisor	Catcher Technology Co., Ltd. Representative: Ming-Yu-Teng	3,070,000	0
Yi De Co., Ltd.	Director & Chairman	Catcher Technology Co., Ltd. Representative: Mei-Hsing Chen	3,070,000	0
	Director	Catcher Technology Co., Ltd. Representative: James Wu	3,070,000	0
	Director	Catcher Technology Co., Ltd. Representative: Shu-Huei, Huang	3,070,000	0
	Supervisor	Catcher Technology Co., Ltd. Representative: Ming-Yu-Teng	3,070,000	0

F. Summarized Operation Results of Affiliated Enterprises

2018/12/31; Unit: in thousand; NTD

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth (Shareholders' Equity)	Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share after Tax(\$)
							(After Tax)	
Nanomag International Co.,Ltd.	1	116,869,227	114	116,869,1138	-	-372	15,542,388	518,079,600.00
Gigamag Co.,Ltd.	484,941	30,343,607	3,569,451	26,774,156	1,610,284	1,610,239	2,870,180	270.35
Grus International Co.,Ltd.	-	-	-	-	-	-167	289	2.99
Castmate International Co.,Ltd.	31,010	3,660,722	-	3,360,722	-	-62	-595,752	3.23
Cygnus International Co., Limited	307,312	3,360,201	62	3,360,139	-	-120	-603,055	-11.88
Stella International Co.,Ltd.	10,199,811	22,922,291	-	22,922,291	-	-180	4,070,642	11.49
Lyra International Co., Limited	10,199,021	22,499,679	64	22,499,615	-	-122	4,060,616	17.26
Uranus International Co., Limited	12,255,573	47,020,369	-	47,020,369	-	-	9,802,536	17.19
Norma International Co., Limited	9,200,177	14,005,703	-	14,005,703	-	-	2,280,125	25.18
Aquila International Co.,Ltd.	43,001	420,	-	420,008	-	-178	90,661	-0.71
Cepheus International Co., Limited	43,001	418,977	56	418,921	-	-113	90,812	165.60
Neat Co., Ltd.	307	308	-	308	-	-	6	124.28
Ke Yue Co., Ltd.	1,129,000	1,564,235	51,976	1,512,259	-	-104	-44,933	-3.98
Yi Sheng Co., Ltd.	298,000	424,187	15,004	409,183	-	-54	-13,050	-4.25
Yi De Co., Ltd.	298,000	424,372	15,026	409,346	-	-54	-13,072	-4.26
Meeca Technology (Suzhou) Co., Ltd.	307,150	2,278,247	63,528	2,214,719	45,015	-227,504	79,296	Note
Topo Technology (Suzhou) Co., Ltd.	307,457	2,028,285	24,736	2,003,550	13,100	-126,001	-125,935	Note
Topo Technology (Taizhou) Co., Ltd.	5,740,063	32,705,918	22,059,010	10,646,908	22,128,041	2,401,769	2,083,518	Note
Meeca Technology (Taizhou) Co., Ltd.	5,937,477	18,978,498	9,582,584	9,395,914	15,147,282	3,849,190	3,309,484	Note

Catcher Technology (Suqian) Co., Ltd.	6,143,000	32,266,461	5,889,737	30,376,724	26,491,847	8,853,981	7,812,010	Note
VITO Technology (Suqian) Co., Ltd.	5,895,922	29,114,483	12,470,85	16,643,629	21,794,976	3,056,242	3,557,022	Note
Arcadia Technology (Suqian) Co., Ltd.	6,046,754	19,476,027	8,219,606	11,256,421	16,833,289	1,829,254	2,452,185	Note
Aquilia Technology (Suqian) Co., Ltd.	43,001	521,027	103,118	417,910	527,984	119,283	90,902	Note
Envio Technology (Suqian) Co., Ltd.	3,026,711	4,266,388	1,517,106	2,749,282	1,017,517	-337,113	-172,060	Note

(2) Consolidated Financial Statements Covering Affiliated Enterprises

Letter of Representation

The Companies represented in the consolidated financial statements of “Catcher Technology Co., Ltd. and its Affiliated Enterprises” for the year ended December 31, 2018 made in accordance with “The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report” are the identical companies represented in the consolidated financial statements of Catcher Technology Co., Ltd. and Subsidiaries made in accordance with International Accounting Standards No. 10. The disclosures to the consolidated financial statements of affiliated enterprises are fully presented in the consolidated financial statements of “Catcher Technology Co., Ltd. and Subsidiaries”. Accordingly, we will not present separately consolidated financial statements of affiliated enterprises”.

Catcher Technology Co., Ltd.

Chairman: Shui-Shu Hung
2019/03/06

(3) Report on Affiliations:

None.

2. Issuance of Private Placement Securities

None.

3. Acquisition or Disposal of Catcher’s Shares by Subsidiaries

None.

4. Other Necessary Supplements

None.

Nine 、Disclosures of Events which may Have a Significant Influence on Stockholders Equity or Share Price, in Compliance with Item 2, Paragraph 2 In Article 35 of the Securities and Exchange Law of the R.O.C.

None.

**Catcher Technology Co., Ltd. and
Subsidiaries**

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

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

Very truly yours,

CATCHER TECHNOLOGY CO., LTD.

By

SHUI-SHU HONG

Chairman

March 6, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Catcher Technology Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Catcher Technology Co., Ltd. (the Company) and its subsidiaries (collectively, 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, based on our audits and the report of other auditors (refer to the other matter paragraph below), 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 (FSC) of Taiwan, the Republic of China (ROC).

Basis for Opinion

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

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.

The description of the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 is as follows:

As stated in Notes 4(f), 5(b) and 13 to the accompanying consolidated financial statements, as of December 31, 2018, the Group's net inventory amounted to NT\$25,184,994 thousand (net of obsolescence loss of NT\$1,602,392 thousand). Such inventory loss represents approximately 6% of the total inventory. The Group operates in a fast-changing industry whereby developments in product technology and market demand may result in slow moving or obsolete inventory. Because the evaluation of inventory impairment and obsolescence loss involves management's material estimations, we deemed such valuation to be a key audit matter.

Our main audit procedures performed in regard of this key audit matter include:

- We determined the appropriateness of the Group's methodology for the evaluation of inventory impairment and obsolescence loss based on our understanding of the business and industry, coupled with our understanding of the nature and aging of the inventory.
- We obtained the valuation report for the net realizable value of the inventory and assessed the reasonableness of the inventory valuation by sample-selecting inventory items and comparing the carrying amounts to the latest sales prices.
- We observed the year end inventory counts and inspected the condition of the inventory and determined the appropriateness of the recognized inventory impairment and obsolescence loss.

Other Matter

We did not audit the financial statements of one associate, Sinher Technology Co., Ltd. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for this associate, was based solely on the report of the other auditors. The amount of the equity method investment in the abovementioned associate was NT\$0 and NT\$383,335 thousand, or 0% and 0.18% of the Group's consolidated total assets as of December 31, 2018 and 2017, respectively. The Group's share of the comprehensive income recognized under the equity method was NT\$30,638 thousand and NT\$35,600 thousand, or 0.11% and 0.20% of the Group's consolidated comprehensive income, for the years ended December 31, 2018 and 2017, respectively.

We have also audited the parent company only financial statements of Catcher Technology Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unqualified opinion modified report.

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 FSC of Taiwan, the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee, 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 ROC, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Chi Chen Lee and Chun Chi Kung.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 6, 2019

Notice to Readers

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

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 29,304,500	11	\$ 17,016,764	8	Short-term borrowings (Note 21)	\$ 73,633,259	29	\$ 48,025,172	22
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	341,864	-	-	-	Contract liabilities - current (Notes 4 and 26)	35,176	-	-	-
Financial assets at amortized cost - current (Notes 4 and 9)	113,057,073	44	-	-	Notes payable (Note 22)	29,271	-	173,386	-
Debt investments with no active market - current (Notes 4 and 11)	-	-	89,617,629	42	Accounts payable (Note 22)	14,165,288	5	11,851,920	6
Notes receivable (Notes 4 and 12)	33	-	-	-	Other payables (Note 23)	9,896,239	4	9,496,564	4
Accounts receivable (Notes 4, 5 and 12)	25,023,569	10	32,128,919	15	Current tax liabilities (Notes 4 and 28)	3,925,637	1	4,511,274	2
Other receivables (Note 4)	740,196	-	454,213	-	Other current liabilities (Note 23)	2,305,614	1	3,267,944	2
Current tax assets (Note 28)	-	-	1,169	-					
Inventories (Notes 4, 5 and 13)	25,184,994	10	9,292,285	4	Total current liabilities	103,990,484	40	77,326,260	36
Prepayments for leases (Note 19)	44,660	-	45,427	-	NON-CURRENT LIABILITIES				
Other current assets (Note 20)	2,808,349	1	2,879,871	2	Deferred tax liabilities (Notes 4, 5 and 28)	36,897	-	54,879	-
					Net defined benefit liabilities - non-current (Notes 4 and 24)	6,552	-	6,551	-
Total current assets	196,505,238	76	151,436,277	71	Other non-current liabilities (Note 23)	1,801,665	1	3,341,593	2
NON-CURRENT ASSETS									
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	294,235	-	-	-	Total non-current liabilities	1,845,114	1	3,403,023	2
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	58,500	-	Total liabilities	105,835,598	41	80,729,283	38
Financial assets at amortized cost - non-current (Notes 4 and 9)	874	-	-	-	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Investments accounted for using the equity method (Notes 4 and 15)	-	-	539,922	-	(Note 25)				
Property, plant and equipment (Notes 4 and 16)	50,264,399	20	52,066,481	25	Share capital - ordinary shares	7,703,911	3	7,703,911	4
Investment properties (Notes 4 and 17)	592,731	-	239,892	-	Capital surplus	20,238,740	8	20,270,956	9
Other intangible assets (Notes 4 and 18)	125,689	-	81,700	-	Retained earnings				
Deferred tax assets (Notes 4 and 28)	6,160,943	2	5,003,855	2	Legal reserve	15,607,700	6	13,423,375	6
Long-term prepayments for leases (Note 19)	1,900,151	1	1,978,980	1	Special reserve	6,207,055	3	2,487,529	1
Other non-current assets (Note 20)	1,315,653	1	2,458,355	1	Unappropriated earnings	108,872,223	42	95,371,730	45
					Total retained earnings	130,686,978	51	111,282,634	52
Total non-current assets	60,654,675	24	62,427,685	29	Other equity	(7,410,316)	(3)	(6,207,055)	(3)
TOTAL	\$ 257,159,913	100	\$ 213,863,962	100	Total equity attributable to owners of the Company	151,219,313	59	133,050,446	62
					NON-CONTROLLING INTERESTS	105,002	-	84,233	-
					Total equity	151,324,315	59	133,134,679	62
					TOTAL	\$ 257,159,913	100	\$ 213,863,962	100

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 26)	\$ 95,416,141	100	\$ 93,295,960	100
OPERATING COSTS (Notes 13, 16, 24 and 27)	<u>56,791,945</u>	<u>60</u>	<u>51,326,443</u>	<u>55</u>
GROSS PROFIT	<u>38,624,196</u>	<u>40</u>	<u>41,969,517</u>	<u>45</u>
OPERATING EXPENSES (Notes 24 and 27)				
Selling and marketing expenses	582,933	-	442,407	-
General and administrative expenses	6,418,008	7	6,433,956	7
Research and development expenses	<u>2,018,893</u>	<u>2</u>	<u>1,659,912</u>	<u>2</u>
Total operating expenses	<u>9,019,834</u>	<u>9</u>	<u>8,536,275</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>29,604,362</u>	<u>31</u>	<u>33,433,242</u>	<u>36</u>
NON-OPERATING INCOME AND EXPENSES (Note 27)				
Interest income	2,883,113	3	1,541,320	1
Other income	4,416,882	5	3,763,029	4
Foreign exchange gains (losses), net	4,690,138	5	(5,832,245)	(6)
Other gains and losses	176,122	-	111,218	-
Interest expenses	(470,027)	(1)	(317,104)	-
Share of profit of associates	<u>18,546</u>	<u>-</u>	<u>45,758</u>	<u>-</u>
Total non-operating income and expenses	<u>11,714,774</u>	<u>12</u>	<u>(688,024)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	41,319,136	43	32,745,218	35
INCOME TAX EXPENSE (Notes 4 and 28)	<u>13,324,283</u>	<u>14</u>	<u>10,887,619</u>	<u>12</u>
NET PROFIT	<u>27,994,853</u>	<u>29</u>	<u>21,857,599</u>	<u>23</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain / (loss) on investments in equity instruments at fair value through other comprehensive income	668,323	1	-	-
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>5</u>	<u>-</u>	<u>8</u>	<u>-</u>

(Continued)

CATCHER TECHNOLOGY CO., LTD. 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	%
	\$ 668,328	1	\$ 8	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 25)	(1,199,766)	(1)	(3,714,162)	(4)
Share of the other comprehensive loss of associates accounted for using the equity method (Note 25)	3,129	-	(12,426)	-
	<u>(1,196,637)</u>	<u>(1)</u>	<u>(3,726,588)</u>	<u>(4)</u>
Other comprehensive loss for the year, net of income tax	<u>(528,309)</u>	<u>-</u>	<u>(3,726,580)</u>	<u>(4)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 27,466,544</u>	<u>29</u>	<u>\$ 18,131,019</u>	<u>19</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 27,972,188	29	\$ 21,843,250	23
Non-controlling interests	<u>22,665</u>	<u>-</u>	<u>14,349</u>	<u>-</u>
	<u>\$ 27,994,853</u>	<u>29</u>	<u>\$ 21,857,599</u>	<u>23</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 27,445,775	29	\$ 18,123,732	19
Non-controlling interests	<u>20,769</u>	<u>-</u>	<u>7,287</u>	<u>-</u>
	<u>\$ 27,466,544</u>	<u>29</u>	<u>\$ 18,131,019</u>	<u>19</u>
EARNINGS PER SHARE (Note 29)				
Basic	<u>\$ 36.31</u>		<u>\$ 28.35</u>	
Diluted	<u>\$ 35.87</u>		<u>\$ 28.03</u>	

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

(Concluded)

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
	Retained Earnings					Exchange Differences on Translating Foreign Operations				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2017	\$ 7,703,911	\$ 20,269,657	\$ 11,221,396	\$ 2,377,902	\$ 83,543,989	\$ (2,487,529)	\$ -	\$ 122,629,326	\$ 200,726	\$ 122,830,052
Appropriation of the 2016 earnings										
Legal reserve	-	-	2,201,979	-	(2,201,979)	-	-	-	-	-
Special reserve	-	-	-	109,627	(109,627)	-	-	-	-	-
Cash dividends distributed by the Company - 100%	-	-	-	-	(7,703,911)	-	-	(7,703,911)	-	(7,703,911)
Changes in capital surplus from donations from shareholders	-	1,666	-	-	-	-	-	1,666	-	1,666
Net profit for the year ended December 31, 2017	-	-	-	-	21,843,250	-	-	21,843,250	14,349	21,857,599
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	8	(3,719,526)	-	(3,719,518)	(7,062)	(3,726,580)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	21,843,258	(3,719,526)	-	18,123,732	7,287	18,131,019
Disposals of investments accounted for using the equity method (Note 15)	-	(367)	-	-	-	-	-	(367)	-	(367)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(123,780)	(123,780)
BALANCE, DECEMBER 31, 2017	7,703,911	20,270,956	13,423,375	2,487,529	95,371,730	(6,207,055)	-	133,050,446	84,233	133,134,679
Appropriation of the 2017 earnings										
Legal reserve	-	-	2,184,325	-	(2,184,325)	-	-	-	-	-
Special reserve	-	-	-	3,719,526	(3,719,526)	-	-	-	-	-
Cash dividends distributed by the Company - 120%	-	-	-	-	(9,244,692)	-	-	(9,244,692)	-	(9,244,692)
Changes in capital surplus from donations from shareholders	-	305	-	-	-	-	-	305	-	305
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	995	-	-	-	-	-	995	-	995
Net profit for the year ended December 31, 2018	-	-	-	-	27,972,188	-	-	27,972,188	22,665	27,994,853
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	5	(1,194,741)	668,323	(526,413)	(1,896)	(528,309)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	27,972,193	(1,194,741)	668,323	27,445,775	20,769	27,466,544
Disposals of investments accounted for using the equity method (Note 15)	-	(33,516)	-	-	-	-	-	(33,516)	-	(33,516)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income (Note 8)	-	-	-	-	676,843	-	(676,843)	-	-	-
BALANCE, DECEMBER 31, 2018	<u>\$ 7,703,911</u>	<u>\$ 20,238,740</u>	<u>\$ 15,607,700</u>	<u>\$ 6,207,055</u>	<u>\$ 108,872,223</u>	<u>\$ (7,401,796)</u>	<u>\$ (8,520)</u>	<u>\$ 151,219,313</u>	<u>\$ 105,002</u>	<u>\$ 151,324,315</u>

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 41,319,136	\$ 32,745,218
Adjustments for:		
Depreciation expenses	12,208,183	10,624,391
Amortization expenses	34,716	41,689
Loss on financial instruments at fair value through profit or loss	29,039	-
Amortization of prepayments for leases	45,297	34,415
Impairment loss on accounts receivable	-	14,467
Interest expenses	470,027	317,104
Interest income	(2,883,113)	(1,541,320)
Share of profit of associates	(18,546)	(45,758)
Gain on disposals of property, plant and equipment	(2,704)	(11,051)
Loss on disposals of other intangible assets	-	11
Gain on disposals of investments	(127,279)	(2,232)
Write-down of inventories	-	881,928
Unrealized (gain) loss on foreign currency exchange	(538,911)	1,871,394
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	45,110	-
Notes receivable	(33)	-
Accounts receivable	6,854,960	1,088,113
Other receivables	26,148	(42,785)
Inventories	(16,251,281)	(6,724,792)
Other current assets	42,352	(1,590,633)
Contract liabilities	(210,258)	-
Notes payable	(144,115)	114,169
Accounts payable	2,558,431	6,479,676
Other payables	719,375	1,486,753
Other current liabilities	(654,070)	921,372
Net defined benefit liabilities	1	2
Other non-current liabilities	<u>(1,534,240)</u>	<u>(2,572,981)</u>
Cash generated from operations	41,988,225	44,089,150
Dividends received	24,741	28,478
Income tax paid	<u>(15,083,821)</u>	<u>(11,255,450)</u>
Net cash generated from operating activities	<u>26,929,145</u>	<u>32,862,178</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(1,792,337)	-
Proceeds from sale of financial assets at fair value through other comprehensive income	2,224,925	-
Purchase of available-for-sale financial assets	-	(58,500)
Purchase of financial assets at amortized cost	(402,726,162)	-
Proceeds from disposals of financial assets at amortized cost	380,559,211	-
Purchase of debt investments with no active market	-	(309,927,726)

(Continued)

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2018	2017
Proceeds from disposals of debt investments with no active market	\$ -	\$ 277,169,334
Acquisitions of associates	(3,660)	-
Net cash inflow on disposal of associates	219,003	6,439
Acquisitions of property, plant and equipment	(10,987,989)	(13,192,238)
Proceeds from disposals of property, plant and equipment	40,422	251,778
Increase in refundable deposits	(2,712)	(192,030)
Decrease in refundable deposits	2,913	171,745
Acquisitions of other intangible assets	(77,451)	(15,509)
Proceeds from disposals of other intangible assets	-	1,636
Acquisitions of investment properties	(297)	(800)
Increase in prepayments for leases	-	(887,152)
Interest received	<u>2,572,035</u>	<u>1,393,150</u>
Net cash used in investing activities	<u>(29,972,099)</u>	<u>(45,279,873)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	252,847,809	177,121,458
Repayments of short-term borrowings	(227,077,205)	(167,549,232)
Proceeds from long-term borrowings	-	1,355,000
Repayments of long-term borrowings	-	(1,500,000)
Proceeds from guarantee deposits received	92,338	556,617
Refunds of guarantee deposits received	(158,589)	(450,104)
Cash dividends paid	(9,244,692)	(7,703,911)
Proceeds from partial disposals of interests in subsidiaries	-	17,491
Interest paid	(452,251)	(320,873)
Decrease in non-controlling interests	<u>-</u>	<u>(123,780)</u>
Net cash generated from financing activities	<u>16,007,410</u>	<u>1,402,666</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES	<u>(676,720)</u>	<u>(1,635,200)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	12,287,736	(12,650,229)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>17,016,764</u>	<u>29,666,993</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 29,304,500</u>	<u>\$ 17,016,764</u>

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

(Concluded)

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

1. GENERAL INFORMATION

Catcher Technology Co., Ltd. (the Company) was incorporated in November 1984 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells aluminum and magnesium extrusion and stamping products and molds. It also provides leasing services.

The Company's shares were listed and traded on the Taipei Exchange (formerly called the GreTai Securities Market) from November 1999 until September 2001, when the Company listed its shares on the Taiwan Stock Exchange (TWSE) under stock number "2474" and ceased listing and trading on the Taipei Exchange.

The Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs) on the Luxembourg Stock Exchange (Euro MTF) in June 2011.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were published after being approved by the Company's board of directors on March 6, 2019.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 17,016,764	\$ 17,016,764	c)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	58,500	58,500	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	89,617,629	89,617,629	b)
Accounts receivables and other receivables	Loans and receivables	Amortized cost	32,583,132	32,583,132	c)
Refundable deposits	Loans and receivables	Amortized cost	26,778	26,778	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Remark
<u>FVTOCI</u>				
Equity instruments	\$ -			
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 58,500		a)
	<u>-</u>	<u>58,500</u>	\$ 58,500	
<u>Amortized cost</u>				
Add: Reclassification from debt investments in instruments with no active market (IAS 39)	-	89,617,629		b)
Add: Reclassification from loans and receivables (IAS 39)	-	49,626,674		c)
	<u>-</u>	<u>139,244,303</u>	<u>139,244,303</u>	
	<u>\$ -</u>	<u>\$ 139,302,803</u>	<u>\$ 139,302,803</u>	

- 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.
- b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- c) Cash and cash equivalents, accounts receivables, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

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

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

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

The impact on liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 245,434	\$ 245,434
Other current liabilities	<u>3,267,944</u>	<u>(245,434)</u>	<u>3,022,510</u>
Total effect on liabilities	<u>\$ 3,267,944</u>	<u>\$ -</u>	<u>\$ 3,267,944</u>

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on liabilities for current year

	December 31, 2018
Decrease in contract liability - current	\$ (35,176)
Increase in other current liabilities	<u>35,176</u>
Total effect on liabilities	<u>\$ -</u>

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

The Group as lessee

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

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

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

- c) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Group as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 893	\$ (893)	\$ -
Prepayments for leases - non-current	1,442	(1,442)	-
Right-of-use assets	<u>-</u>	<u>101,442</u>	<u>101,422</u>
Total effect on assets	<u>\$ 2,335</u>	<u>\$ 99,087</u>	<u>\$ 101,422</u>
Lease liabilities - current	\$ -	\$ 10,393	\$ 10,393
Lease liabilities - non-current	<u>-</u>	<u>88,694</u>	<u>88,694</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 99,087</u>	<u>\$ 99,087</u>

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Group will apply the above amendments prospectively.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Basis of consolidation

Principles for preparing consolidated financial statements

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

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

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

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 14, tables 7 and 8 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

f. Inventories

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

g. Investment in associates

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

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

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

i. Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

j. Intangible assets

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

k. Impairment of tangible and intangible assets and assets related to contract costs

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 any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

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

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

1. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

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

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

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

2017

Financial assets of the Group are classified as available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are 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.

ii. Loans and receivables

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

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

b) Impairment of financial assets and contract assets

2018

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

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

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

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

2017

Financial assets, other than those at 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 assets, the estimated future cash flows of the investment have been affected.

For financial assets measured at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

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

The carrying amount of a 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 an account receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

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

Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

m. Revenue recognition

2018

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of metal casing. Sales of metal casing product are recognized as revenue when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which is determined for export sales on the bases of the terms of the trade and for domestic sales on the bases of the acceptance date of the counterparty. Accounts receivable are recognized concurrently. Advance receipts are recognized as contract liabilities before the conditions of trade of the products are reached.

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

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. Sales returns are recognized at the time of sale based on the Group's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Dividend and interest income

Dividend income is recognized when a shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

n. Leasing

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

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Group as lessee

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with their classification of lease. When the lease payments cannot be

allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

o. Borrowing costs

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

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

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

p. Government grants

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

q. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2018 and 2017, the Company's management resolved that the unappropriated retained earnings of overseas subsidiaries as of December 31, 2017 will be used for permanent investment; this was approved by the board of directors on March 5, 2018. Therefore, no deferred tax liabilities were recognized on the subsidiaries' unappropriated earnings. If the retained earnings of overseas subsidiaries will be appropriated in the future, a material recognition of deferred tax liabilities may arise, which would be recognized in profit or loss for the period in which such appropriation takes place.

b. Write-down of inventories

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 historical experience with 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 on hand	\$ 4,282	\$ 4,063
Deposits in banks	1,825,853	2,277,763
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	26,929,355	14,154,997
Repurchase agreements	<u>545,010</u>	<u>579,941</u>
	<u>\$ 29,304,500</u>	<u>\$ 17,016,764</u>

The range of interest rates of time deposits and repurchase agreements was as follows:

	December 31	
	2018	2017
Time deposits	0.6%-4.12%	0.91%-3.19%
Repurchase agreements	3.15%-3.4%	1.7%-2.0%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

**December 31,
2018**

Financial assets at FVTPL - current

Financial assets mandatorily classified as at FVTPL

Non-derivative financial assets

Domestic quoted shares

\$ 341,864

The Group holds 9.998% of the ordinary shares of Sinher Technology Co., Ltd. The term of the director has expired in June 2018. The Group was not able to exercise significant influences over Sinher Technology Co., Ltd. The Group holds the remaining interest as financial assets at fair value through profit or loss (refer to Note 15).

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

Investments in equity instruments at Fair Value Through Other Comprehensive Income

**December 31,
2018**

Non-current

Domestic investments

Unlisted shares

Ordinary shares - Alpha Information Systems, Inc.

\$ 35,580

Ordinary shares - CDIB Capital Innovation Accelerator Co., Ltd.

29,400

Foreign investments

Limited partnerships

229,255

\$ 294,235

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 under IAS 39. Refer to Note 3, and Note 10 for information relating to their reclassification and comparative information for 2017.

The Group invested US\$7,464 thousand in China Renewable Energy Fund, L.P. in November 2018 and the fund share ratio is 23.53%. The Group's representative is one of the five members in the Operation Committee. The Group's management considered that it has no significant influence and classified the investment as financial assets at fair value through other comprehensive income - non-current.

In March 2018, the Group invested NT\$ 1,720,070 thousand in the common shares of Career Technology Co., Ltd. as part of its business and investment strategy; the equity investment was measured as financial assets at fair value through other comprehensive income. In 2018, the Group adjusted its investment position to diversify risks, and sold ordinary shares of Career Technology Co., Ltd. at fair value of NT\$2,224,925 thousand and the related unrealized gain on financial assets at fair value through other comprehensive income of NT\$676,843 thousand was transferred to retained earnings.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Domestic investments

Time deposits with original maturity of more than 3 months	\$ 112,963,356
Repurchase agreements	68,461
Refundable deposits	<u>25,256</u>
	<u>\$ 113,057,073</u>

Non-current

Domestic investments

Refundable deposits	<u>\$ 874</u>
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The interest rates for time deposits with original maturity of more than 3 months was 0.64% ~ 3.28% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 11 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - DECEMBER 31, 2017

Unlisted shares	<u>\$ 58,500</u>
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11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

**December 31,
2017**

Time deposits with original maturities of more than 3 months	<u>\$ 89,617,629</u>
Range of interest rates	1.51%-2.20%

12. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

**December 31,
2018**

Notes receivable

At amortized cost

Gross carrying amount	<u>\$ 33</u>
Notes receivable - operating	<u>\$ 33</u>

	December 31	
	2018	2017
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 25,080,753	\$ 32,186,563
Less: Allowance for impairment loss	<u>(57,184)</u>	<u>(57,644)</u>
	<u>\$ 25,023,569</u>	<u>\$ 32,128,919</u>

a. Notes receivable

The Group's notes receivable were not past due, and the Group did not recognize an allowance for loss of notes receivable as of December 31, 2018 and 2017.

b. Accounts receivable

In 2018

The average credit period of sales of goods was 30 to 180 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. Credit rating information is obtained from independent rating agencies where available or, if not available, 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 and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on 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 economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off an account 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 as of December 31, 2018.

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 120 Days	Total
Expected credit loss rate	0%~0.235%	0%~0.13%	0.195%~5.47%	
Gross carrying amount	\$ 24,264,946	\$ 815,600	\$ 207	\$ 25,080,753
Loss allowance (Lifetime ECL)	<u>(57,136)</u>	<u>(48)</u>	<u>-</u>	<u>(57,184)</u>
Amortized cost	<u>\$ 24,207,810</u>	<u>\$ 815,552</u>	<u>\$ 207</u>	<u>\$ 25,023,569</u>

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39	\$ 57,644
Foreign exchange gains and losses	<u>(460)</u>
Balance at December 31, 2018	<u>\$ 57,184</u>

In 2017

The Group applied the same credit policy in 2018 and 2017. The allowance for impairment loss was based on estimated irrecoverable amounts individually determined by reference to an analysis of the customer's current financial position.

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

The aging analysis based on the invoice date of receivables was as follows:

	December 31, 2017
Up to 90 days	\$ 16,604,987
91 - 120 days	10,470,734
121 - 150 days	3,676,175
151 - 180 days	1,374,632
181 - 240 days	9,605
More than 241 days	<u>50,430</u>
	<u>\$ 32,186,563</u>

The aging analysis based on the invoice date of receivables that were past due but not impaired was as follows:

	December 31, 2017
121 - 150 days	\$ 158
151 - 180 days	251,259
181 - 240 days	9,605
More than 241 days	<u>1,224</u>
	<u><u>\$ 262,246</u></u>

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

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	\$ 43,898	\$ -	\$ 43,898
Add: Amounts written off	-	14,467	14,467
Foreign exchange translation gains and losses	(721)	-	(721)
	<u> </u>	<u> </u>	<u> </u>
Balance at December 31, 2017	<u><u>\$ 43,177</u></u>	<u><u>\$ 14,467</u></u>	<u><u>\$ 57,644</u></u>

13. INVENTORIES

	December 31	
	2018	2017
Merchandise	\$ 1,955	\$ 12,850
Finished goods	11,690,967	3,322,851
Work-in-process and semi-finished goods	10,979,503	3,913,305
Raw materials and supplies	<u>2,512,569</u>	<u>2,043,279</u>
	<u><u>\$ 25,184,994</u></u>	<u><u>\$ 9,292,285</u></u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was NT\$56,787,360 thousand and NT\$51,329,734 thousand, respectively.

The cost of goods sold for the year ended December 31, 2017 included inventory write-downs of NT\$881,928 thousand.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2018	2017	
Catcher Technology Co., Ltd.	Nanomag International Co., Ltd.	Investing activities	100	100	
	Gigamag Co., Ltd.	Investing activities	100	100	
	Ke Yue Co., Ltd.	Investing activities	100	-	a.
	Yi Sheng Co., Ltd.	Investing activities	100	-	a.
	Yi De Co., Ltd.	Investing activities	100	-	a.
Nanomag International Co., Ltd.	Castmate International Co., Ltd.	Investing activities	100	100	
	Stella International Co., Ltd.	Investing activities	100	100	
	Uranus International Co., Ltd.	Investing activities	100	100	
	Aquila International Co., Ltd.	Investing activities	75	75	
	Grus International Co., Ltd.	Investing activities	-	100	b.
	Norma International Co., Ltd.	Investing activities	100	100	
	Cygnus International Co., Ltd.	Investing activities	100	100	
Cygnus International Co., Ltd.	Meeca Technology (Suzhou Industrial Park) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Stella International Co., Ltd.	Lyra International Co., Ltd.	Investing activities	100	100	
Lyra International Co., Ltd.	Topo Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Topo Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Meeca Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Catcher Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Uranus International Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Cepheus International Co., Ltd.	Investing activities	100	100	
Cepheus International Co., Ltd.	Aquila Technology (Suqian) Co., Ltd.	Manufacturing and selling molds and electronic parts	100	100	
Norma International Co. Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Envio Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Gigamag Co., Ltd.	Neat Co., Ltd.	International trade	100	100	

a. Catcher Technology Co., Ltd. incorporated its 100% owned subsidiaries Ke Yue Co., Ltd., Yi Sheng Co., Ltd. and Yi De Co., Ltd. in March 2018 in Taiwan.

b. Grus International Co., Ltd. was liquidated and dissolved in December 2018.

15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in associates		
Associates that are not individually material	\$ <u> </u> -	\$ <u> 539,922</u>

Aggregate information of associates that are not individually material was as follows:

	December 31	
	2018	2017
The Group's share of:		
Net profit	\$ 18,546	\$ 45,758
Other comprehensive income (loss)	<u>3,134</u>	<u>(12,418)</u>
Total comprehensive income for the year	\$ <u>21,680</u>	\$ <u>33,340</u>

In 2017, the Group held 7.3% of interests in Epileds Technology Inc., which was accounted for as investment in associate. In March 2018, the Group sold all of its interest in Epileds Technology Inc. to a third party for proceeds of NT\$177,201 thousand and lost its seat in the board of directors; thus, the Group ceased to have significant influence. The transaction gain recognized in profit or loss was calculated as follows:

Proceeds of disposal	\$ 177,201
Plus: Reversing capital surplus	2,815
Less: Carrying amount of investment on the date of loss of significant influence	151,258
Less: Share of other comprehensive income of the associate	<u>30</u>
Gain recognized	\$ <u>28,728</u>

In 2018 and 2017, the Group disposed of its shares in Sinher Technology Co., Ltd. Capital surplus as of December 31, 2018 and 2017 decreased by NT\$2,812 thousand and NT\$367 thousand, respectively, and the recognized gain on the disposal of investments for the years then ended was NT\$8,489 thousand and NT\$2,232 thousand, respectively.

The Group held 9.998% of equity interest of Sinher Technology Co., Ltd. that was originally accounted for by using the equity method in 2017. The term of the director expired in June 2018; thus, the Group was not able to exercise significant influence. The Group reclassified the remaining equity interest at fair value of NT\$416,012 thousand as financial assets at fair value through profit or loss. The transaction gain recognized in profit or loss was calculated as follows:

The remaining investment at fair value	\$ 416,012
Plus: Reversing capital surplus	27,889
Less: Carrying amount of investment on the date of loss of significant influence	352,409
Less: Share of other comprehensive income of the associate	<u>1,430</u>
Gain recognized	\$ <u>90,062</u>

The share of net income and other comprehensive income from associates under equity method was accounted for based on the audited financial statements.

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>									
Balance at January 1, 2017	\$ 2,179,324	\$ 20,142,578	\$ 61,639,586	\$ 112,772	\$ 1,804,131	\$ 2,518,612	\$ 288	\$ 1,964,453	\$ 90,361,744
Additions	-	444,319	7,154,913	46,225	811,271	962,134	-	1,909,443	11,328,305
Disposals	-	(238)	(666,122)	(6,713)	(20,504)	(135,924)	-	-	(829,501)
Reclassification	-	2,379,066	1,154,123	7,741	(44,071)	216,197	-	(2,386,286)	1,326,770
Effect of foreign currency exchange differences	-	(375,205)	(473,501)	(1,331)	(25,328)	(27,741)	(6)	(14,846)	(917,958)
Balance at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 22,590,520</u>	<u>\$ 68,808,999</u>	<u>\$ 158,694</u>	<u>\$ 2,525,499</u>	<u>\$ 3,533,278</u>	<u>\$ 282</u>	<u>\$ 1,472,764</u>	<u>\$ 101,269,360</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2017	\$ -	\$ 4,500,304	\$ 32,470,966	\$ 72,206	\$ 898,823	\$ 1,364,369	\$ 34	\$ -	\$ 39,306,702
Depreciation	-	1,420,452	8,233,196	19,383	352,315	593,108	56	-	10,618,510
Disposals	-	(71)	(431,677)	(3,511)	(19,269)	(134,246)	-	-	(588,774)
Reclassification	-	-	-	-	(5,001)	5,001	-	-	-
Effect of foreign currency exchange differences	-	(70,765)	(40,102)	(781)	(10,206)	(11,704)	(1)	-	(133,559)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 5,849,920</u>	<u>\$ 40,232,383</u>	<u>\$ 87,297</u>	<u>\$ 1,216,662</u>	<u>\$ 1,816,528</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 49,202,879</u>
Carrying amounts at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 16,740,600</u>	<u>\$ 28,576,616</u>	<u>\$ 71,397</u>	<u>\$ 1,308,837</u>	<u>\$ 1,716,750</u>	<u>\$ 193</u>	<u>\$ 1,472,764</u>	<u>\$ 52,066,481</u>
<u>Cost</u>									
Balance at January 1, 2018	\$ 2,179,324	\$ 22,590,520	\$ 68,808,999	\$ 158,694	\$ 2,525,499	\$ 3,533,278	\$ 282	\$ 1,472,764	\$ 101,269,360
Additions	-	828,193	6,108,444	29,419	335,473	867,066	-	1,725,306	9,893,901
Disposals	-	(28,317)	(497,171)	(1,673)	(14,312)	(290,868)	-	-	(832,341)
Reclassification	-	1,616,791	1,818,886	260	1,180	36,719	-	(2,397,483)	1,076,353
Effect of foreign currency exchange differences	-	(381,338)	(1,581,954)	(2,199)	(43,890)	(60,016)	(5)	(17,195)	(2,086,597)
Balance at December 31, 2018	<u>\$ 2,179,324</u>	<u>\$ 24,625,849</u>	<u>\$ 74,657,204</u>	<u>\$ 184,501</u>	<u>\$ 2,803,950</u>	<u>\$ 4,086,179</u>	<u>\$ 277</u>	<u>\$ 783,392</u>	<u>\$ 109,320,676</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2018	\$ -	\$ 5,849,920	\$ 40,232,383	\$ 87,297	\$ 1,216,662	\$ 1,816,528	\$ 89	\$ -	\$ 49,202,879
Depreciation	-	1,463,525	9,402,534	23,835	453,540	823,407	56	-	12,166,897
Disposals	-	(27,748)	(469,746)	(1,328)	(13,347)	(282,454)	-	-	(794,623)
Reclassification	-	(382,148)	-	-	-	-	-	-	(382,148)
Effect of foreign currency exchange differences	-	(109,817)	(971,943)	(1,127)	(23,118)	(30,721)	(2)	-	(1,136,728)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 6,793,732</u>	<u>\$ 48,193,228</u>	<u>\$ 108,677</u>	<u>\$ 1,633,737</u>	<u>\$ 2,326,760</u>	<u>\$ 143</u>	<u>\$ -</u>	<u>\$ 59,056,277</u>
Carrying amounts at January 1, 2018	<u>\$ 2,179,324</u>	<u>\$ 16,740,600</u>	<u>\$ 28,576,616</u>	<u>\$ 71,397</u>	<u>\$ 1,308,837</u>	<u>\$ 1,716,750</u>	<u>\$ 193</u>	<u>\$ 1,472,764</u>	<u>\$ 52,066,481</u>
Carrying amounts at December 31, 2018	<u>\$ 2,179,324</u>	<u>\$ 17,832,117</u>	<u>\$ 26,463,976</u>	<u>\$ 75,824</u>	<u>\$ 1,170,213</u>	<u>\$ 1,759,419</u>	<u>\$ 134</u>	<u>\$ 783,392</u>	<u>\$ 50,264,399</u>

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

Buildings	
Main buildings	20 - 50 years
Mechanical and electrical power equipment	5 years
Engineering systems	2 - 5 years
Machinery and equipment	2 - 10 years
Transportation equipment	5 years
Furniture and fixtures	2 - 5 years
Miscellaneous equipment	2 - 15 years
Leasehold improvements	3 - 5 years

17. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 203,363	\$ 157,388	\$ 360,751
Additions	<u>-</u>	<u>800</u>	<u>800</u>
Balance at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 158,188</u>	<u>\$ 361,551</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2017	\$ -	\$ 115,778	\$ 115,778
Depreciation	<u>-</u>	<u>5,881</u>	<u>5,881</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 121,659</u>	<u>\$ 121,659</u>
Carrying amounts at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 36,529</u>	<u>\$ 239,892</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 203,363	\$ 158,188	\$ 361,551
Additions	-	297	297
Transferred from property, plant and equipment	-	787,023	787,023
Effect of foreign currency exchange difference	-	(22,699)	(22,699)
Balance at December 31, 2018	<u>\$ 203,363</u>	<u>\$ 922,809</u>	<u>\$ 1,126,172</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2018	\$ -	\$ 121,659	\$ 121,659
Depreciation	-	41,286	41,286
Transferred from property, plant and equipment	-	382,148	382,148
Effect of foreign currency exchange difference	-	(11,652)	(11,652)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 533,441</u>	<u>\$ 533,441</u>
Carrying amounts at December 31, 2018	<u>\$ 203,363</u>	<u>\$ 389,368</u>	<u>\$ 592,731</u>

The investment properties are depreciated by the straight-line method over their estimated useful lives as follows:

Main buildings	20 - 35 years
Elevators	15 years
Heat radiation systems	5 years

The fair value of the Group's investment properties was measured by independent qualified professional appraisers, and the fair value was measured by using Level 3 inputs.

	December 31	
	2018	2017
Fair value	<u>\$ 3,530,482</u>	<u>\$ 428,544</u>

All of the Group's investment properties were held under freehold interests.

18. OTHER INTANGIBLE ASSETS

	Computer Software	Emission License	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 258,113	\$ -	\$ 258,113
Additions	15,509	-	15,509
Disposals	(15,671)	-	(15,671)
Effect of foreign currency exchange differences	<u>(4,835)</u>	<u>-</u>	<u>(4,835)</u>
Balance at December 31, 2017	<u>\$ 253,116</u>	<u>\$ -</u>	<u>\$ 253,116</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2017	\$ 148,720	\$ -	\$ 148,720
Amortization expense	38,995	-	38,995
Disposals	(14,024)	-	(14,024)
Effect of foreign currency exchange differences	<u>(2,275)</u>	<u>-</u>	<u>(2,275)</u>
Balance at December 31, 2017	<u>\$ 171,416</u>	<u>\$ -</u>	<u>\$ 171,416</u>
Carrying amounts at December 31, 2017	<u>\$ 81,700</u>	<u>\$ -</u>	<u>\$ 81,700</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 253,116	\$ -	\$ 253,116
Additions	59,215	18,236	77,451
Effect of foreign currency exchange differences	<u>(2,934)</u>	<u>(758)</u>	<u>(3,692)</u>
Balance at December 31, 2018	<u>\$ 309,397</u>	<u>\$ 17,478</u>	<u>\$ 326,875</u>
<u>Accumulated amortization</u>			
Balance at January 1, 2018	\$ 171,416	\$ -	\$ 171,416
Amortization expense	29,110	2,664	31,774
Effect of foreign currency exchange differences	<u>(1,962)</u>	<u>(42)</u>	<u>(2,004)</u>
Balance at December 31, 2018	<u>\$ 198,564</u>	<u>\$ 2,622</u>	<u>\$ 201,186</u>
Carrying amounts at December 31, 2018	<u>\$ 110,833</u>	<u>\$ 14,856</u>	<u>\$ 125,689</u>

The above other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	2 - 10 years
Emission license	5 years

19. PREPAYMENTS FOR LEASES

	December 31	
	2018	2017
Current assets	\$ 44,660	\$ 45,427
Non-current assets	<u>1,900,151</u>	<u>1,978,980</u>
	<u>\$ 1,944,811</u>	<u>\$ 2,024,407</u>

In April 2000, the Company obtained the rights to use the land on which its buildings are situated under an agreement with Taiwan Sugar Corporation which will expire in 2050. As of December 31, 2018 and 2017, prepaid lease payments include land use rights with carrying amounts of NT\$1,651 thousand and NT\$2,733 thousand, respectively.

Topo Suzhou and Meecca Suzhou obtained the rights to use the land on which their buildings stand under agreements with the Suzhou Industrial Park; Catcher Suqian, Vito Suqian, Arcadia Suqian, and Envio Suqian obtained the rights to use the land on which their buildings stand under agreements with the Suqian Industrial Park; and Topo Taizhou and Meecca Taizhou obtained the rights to use the land on which their buildings stand under agreements with the Bureau of Land Resources Taizhou. The agreements thereof will expire in succession before 2067. The rights were paid in the years that the agreements were signed. As of December 31, 2018 and 2017, prepaid lease payments included the rights to use the land in mainland China with carrying amounts of NT\$1,943,160 thousand and NT\$2,021,674 thousand, respectively.

20. OTHER ASSETS

	December 31	
	2018	2017
<u>Current</u>		
VAT retained	\$ 2,028,637	\$ 2,459,771
Prepaid expenses	254,488	192,176
Office supplies	506,316	156,364
Prepayments to suppliers	4,642	27,269
Refundable deposits	-	25,803
Others	<u>14,266</u>	<u>18,488</u>
	<u>\$ 2,808,349</u>	<u>\$ 2,879,871</u>
<u>Non-current</u>		
Prepaid equipment	\$ 1,313,622	\$ 2,455,774
Refundable deposits	-	975
Others	<u>2,031</u>	<u>1,606</u>
	<u>\$ 1,315,653</u>	<u>\$ 2,458,355</u>

21. BORROWINGS

Short-term borrowings

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Bank unsecured loans	\$ 73,633,259	\$ 47,264,000
Bank letter of credit loans	-	761,172
	<u>\$ 73,633,259</u>	<u>\$ 48,025,172</u>

The range of interest rates of short-term borrowings was as follows:

	December 31	
	2018	2017
Bank unsecured loans	0.58%-4.785%	0.58%-0.80%
Bank letter of credit loans	-	0.48%

22. NOTES PAYABLE AND ACCOUNTS PAYABLE

Both notes payable and accounts payable resulted from operating activities.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

23. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 3,150,214	\$ 2,659,911
Payables for employees' compensation	3,647,543	3,527,044
Payables for purchases of equipment	511,474	853,980
Payables for maintenance	263,649	208,014
Payables for taxes	174,738	304,276
Payables for meals	150,518	141,751
Payables for annual leave	147,679	123,633
Payables for utilities	142,087	51,282
Payables for benefits	10,420	116,508
Payables for shipping expenses and warehousing	78,787	45,320
Payables for labor and health insurance	38,266	31,734
Remuneration of directors	16,892	16,892
Payables for interest	33,221	11,674

(Continued)

	December 31	
	2018	2017
Payables for professional service fees	\$ 509	\$ 5,787
Payables for warranties	5,318	5,412
Payables for commission fees	252	257
Others	<u>1,524,672</u>	<u>1,393,089</u>
	<u>\$ 9,896,239</u>	<u>\$ 9,496,564</u>
Other liabilities		
Deferred revenue	\$ 1,640,515	\$ 1,589,508
Advance sales receipts	2,832	247,782
Guarantee deposits received	118,375	181,201
Payables for value-added tax	3,144	8,456
Others	<u>540,748</u>	<u>1,240,997</u>
	<u>\$ 2,305,614</u>	<u>\$ 3,267,944</u>
<u>Non-current</u>		
Other liabilities		
Deferred revenue	\$ 1,777,224	\$ 3,311,474
Guarantee deposits received	24,341	30,029
Others	<u>100</u>	<u>90</u>
	<u>\$ 1,801,665</u>	<u>\$ 3,341,593</u>

(Concluded)

24. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Group in accordance with the Labor Standards Law is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is

managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 74,967	\$ 70,851
Fair value of plan assets	<u>(68,415)</u>	<u>(64,300)</u>
Net defined benefit liabilities	<u>\$ 6,552</u>	<u>\$ 6,551</u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	<u>\$ 70,098</u>	<u>\$ (63,549)</u>	<u>\$ 6,549</u>
Service cost			
Current service cost	1,850	-	1,850
Net interest expense (income)	<u>970</u>	<u>(893)</u>	<u>77</u>
Recognized in profit or loss	<u>2,820</u>	<u>(893)</u>	<u>1,927</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	230	230
Actuarial loss - changes in demographic assumptions	171	-	171
Actuarial loss - changes in financial assumptions	855	-	855
Actuarial gain - experience adjustments	<u>(1,256)</u>	<u>-</u>	<u>(1,256)</u>
Recognized in other comprehensive income	<u>(230)</u>	<u>230</u>	<u>-</u>
Contributions from the employer	-	(1,925)	(1,925)
Benefits paid	<u>(1,837)</u>	<u>1,837</u>	<u>-</u>
Balance at December 31, 2017	<u>70,851</u>	<u>(64,300)</u>	<u>6,551</u>
Service cost			
Current service cost	1,894	-	1,894
Net interest expense (income)	<u>885</u>	<u>(814)</u>	<u>71</u>
Recognized in profit or loss	<u>2,779</u>	<u>(814)</u>	<u>1,965</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,797)	(1,797)
Actuarial loss - changes in demographic assumptions	209	-	209
Actuarial loss - changes in financial assumptions	1,046	-	1,046
Actuarial loss - experience adjustments	<u>542</u>	<u>-</u>	<u>542</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Recognized in other comprehensive income	\$ 1,797	\$ (1,797)	\$ -
Contributions from the employer	-	(1,964)	(1,964)
Benefits paid	(460)	460	-
Balance at December 31, 2018	<u>\$ 74,967</u>	<u>\$ (68,415)</u>	<u>\$ 6,552</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	\$ 1,306	\$ 1,289
Selling and marketing expenses	85	83
General and administrative expenses	370	354
Research and development expenses	<u>204</u>	<u>201</u>
	<u>\$ 1,965</u>	<u>\$ 1,927</u>

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 plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries 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	1.125%	1.25%
Expected rate of salary increase	2%	2%

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

	December 31	
	2018	2017
Discount rate		
0.25% increase	\$ <u>(2,127)</u>	\$ <u>(1,737)</u>
0.25% decrease	\$ <u>2,201</u>	\$ <u>1,780</u>
Expected rate of salary increase		
0.25% increase	\$ <u>2,104</u>	\$ <u>1,727</u>
0.25% decrease	\$ <u>(2,044)</u>	\$ <u>(1,675)</u>

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	\$ <u>1,965</u>	\$ <u>1,700</u>
Average duration of the defined benefit obligation	12 years	13 years

25. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	\$ <u>10,000,000</u>	\$ <u>10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>770,391</u>	<u>770,391</u>
Shares issued	\$ <u>7,703,911</u>	\$ <u>7,703,911</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

A total of 23,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

2) Global depositary receipts

In June 2011, the Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs). Each GDR was issued at US\$32.84 and represented 5 ordinary shares. The Company issued 6,700 thousand units of GDRs, representing 33,500 thousand ordinary shares. The registration process has been completed.

As of December 31, 2018 and 2017, there were 574 thousand units and 497 thousand units of outstanding GDRs, equivalent to 2,870 thousand ordinary shares and 2,485 thousand ordinary

shares, respectively.

b. Capital surplus

	December 31	
	2018	2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 7,460,295	\$ 7,460,295
Arising from conversion of bonds	12,775,052	12,775,052
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	1,422	1,422
Donations from shareholders	1,971	1,666
<u>May be used to offset a deficit only (2)</u>		
Share of changes in capital surplus of associates	-	32,521
	<u>\$ 20,238,740</u>	<u>\$ 20,270,956</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, when the Company makes profit in a fiscal year, the profit should be appropriated as follows:

- 1) Offset against deficit, if any;
- 2) Appropriate 10% of the remainder as legal reserve, until the accumulated amount equals the Company's paid-in capital;
- 3) Reverse a special reserve in accordance with the laws or operating needs; and
- 4) Use by the Company's board of directors any remaining profit together with any undistributed retained earnings as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting.

The Company is still in the growing stage and is continuing to expand its operating scale in consideration of the viability of the economic situation. The board of directors shall focus on growing dividends stably when proposing the appropriation of annual earnings. However, cash dividends shall not be less than 10% of the total dividends, and cash dividends shall not be distributed if the dividends per share is less than NT\$0.5.

For the policies on the distribution of the compensation of employees and remuneration of directors after the amendment, refer to "Compensation of employees and remuneration of directors" in Note 27(g).

The legal reserve may be used to offset deficits. 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.

Per Order No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should make provisions to or reversals from a special reserve.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 11, 2018 and June 19, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 2,184,325	\$ 2,201,979		
Special reserve	3,719,526	109,627		
Cash dividends	9,244,692	7,703,911	\$ 12	\$ 10

The appropriations of earnings for 2018 was proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,797,219	
Special reserve	1,203,262	
Cash dividends	9,244,693	\$ 12

The appropriations of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 12, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance as of January 1	\$ (6,207,055)	\$ (2,487,529)
Exchange differences arising on translating foreign operations	(1,197,870)	(3,707,100)
Share of exchange difference of associates accounted for using the equity method	1,477	(12,429)
Share of exchange difference upon disposal of associates accounted for using the equity method	<u>1,652</u>	<u>3</u>
Balance as of December 31	<u>\$ (7,401,796)</u>	<u>\$ (6,207,055)</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2018	2017
Balance as of January 1	\$ 84,233	\$ 200,726
Attributable to non-controlling interests:		
Share of profit for the year	22,665	14,349
Exchange differences on translating foreign operations	(1,896)	(7,062)
Distribution of earnings of subsidiaries	-	(56,561)
Return of capital reduction and liquidation of subsidiaries	-	(67,219)
Balance as of December 31	<u>\$ 105,002</u>	<u>\$ 84,233</u>

26. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of metal casing	\$ 95,347,242	\$ 93,277,048
Rental income	<u>68,899</u>	<u>18,912</u>
	<u>\$ 95,416,141</u>	<u>\$ 93,295,960</u>

a. Contract information

Revenue from sale of metal casing

The Group sells metal casing to the customers. All goods are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	December 31, 2018
Accounts receivable (Note 12)	<u>\$ 25,080,753</u>
Contract liabilities - current	
Sale of goods	<u>\$ 35,176</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment. Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	<u>\$ 224,094</u>

c. Disaggregation of revenue

Refer to Note 37 for information about disaggregation of revenue.

27. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2018	2017
Government grants	\$ 4,158,682	\$ 3,629,664
Recycling income	247,538	127,165
Others	<u>10,662</u>	<u>6,200</u>
	<u>\$ 4,416,882</u>	<u>\$ 3,763,029</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gains on disposals of investments	\$ 127,279	\$ 2,232
Fair value changes of financial assets mandatorily classified as at FVTPL	(29,039)	-
Others	<u>77,882</u>	<u>108,986</u>
	<u>\$ 176,122</u>	<u>\$ 111,218</u>

c. Interest expense

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	<u>\$ 470,027</u>	<u>\$ 317,104</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 12,166,897	\$ 10,618,510
Investment properties	41,286	5,881
Intangible assets and other assets	<u>34,716</u>	<u>41,689</u>
	<u>\$ 12,242,899</u>	<u>\$ 10,666,080</u>
An analysis of depreciation by function		
Operating costs	\$ 11,047,320	\$ 9,336,302
Operating expenses	<u>1,160,863</u>	<u>1,288,089</u>
	<u>\$ 12,208,183</u>	<u>\$ 10,624,391</u>

(Continued)

		For the Year Ended December 31	
		2018	2017
An analysis of amortization by function			
Operating costs	\$	11,023	\$ 7,503
Operating expenses		<u>23,693</u>	<u>34,186</u>
	\$	<u>34,716</u>	<u>41,689</u>
			(Concluded)
e. Operating expenses directly related to investment properties			
		For the Year Ended December 31	
		2018	2017
Direct operating expenses from investment properties generating rental income	\$	<u>7,289</u>	<u>7,749</u>
f. Employee benefits expense			
		For the Year Ended December 31	
		2018	2017
Short-term employee benefits			
Salaries	\$	20,321,212	\$ 17,794,726
Labor and health insurance		1,252,056	174,671
Remuneration of directors		17,850	17,830
Others		<u>1,410,376</u>	<u>1,809,348</u>
		<u>23,001,494</u>	<u>19,796,575</u>
Post-employment benefits			
Defined contribution plans		2,035,864	1,355,613
Defined benefit plans (Note 24)		<u>1,965</u>	<u>1,927</u>
		<u>2,037,829</u>	<u>1,357,540</u>
	\$	<u>25,039,323</u>	<u>21,154,115</u>
An analysis of employee benefits expense by function			
Operating costs	\$	20,431,445	\$ 16,840,249
Operating expenses		<u>4,607,878</u>	<u>4,313,866</u>
	\$	<u>25,039,323</u>	<u>21,154,115</u>
g. Compensation of employees and remuneration of directors			

The Company accrued the compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 6, 2019 and March 5, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Compensation of employees	5.63%	8.74%
Remuneration of directors	based on previous experience	based on previous experience

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,844,383	\$ -	\$ 2,421,231	\$ -
Remuneration of directors	16,892	-	16,892	-

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the compensation of employees and remuneration of 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.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 34,828,650	\$ 12,709,683
Foreign exchange losses	<u>(30,138,512)</u>	<u>(18,541,928)</u>
	<u>\$ 4,690,138</u>	<u>\$ (5,832,245)</u>

28. INCOME TAXES

a. Income tax expense (benefit)

The major components of income tax expense (benefit) recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 13,774,131	\$ 10,904,201
Income tax on unappropriated earnings	669,472	1,200,427
Adjustment for prior years	<u>116,256</u>	<u>71,020</u>
	14,559,859	12,175,648
Deferred tax		
In respect of the current year	(1,151,702)	(1,288,029)
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(83,874)</u>	<u>-</u>
	<u>(1,235,576)</u>	<u>(1,288,029)</u>
	<u>\$ 13,324,283</u>	<u>\$ 10,887,619</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax	<u>\$ 41,319,136</u>	<u>\$ 32,745,218</u>
Income tax expense calculated at the statutory rate	\$ 9,263,171	\$ 7,925,433
Unrecognized temporary differences		
Repatriation of subsidiaries' earnings	-	1,581,679
Accumulated depreciation tax difference	19,766	-
Nondeductible expenses in determining taxable income		
Research and development tax credits from China	(164,677)	(77,144)
Nondeductible expenses in determining taxable income	29,484	55,680
Withholding tax on remittance of earnings	3,494,486	-
Alternative minimum tax	80,354	-
Effect of tax rate changes	(83,874)	-
Tax-exempt income	(25,877)	(379)
Additional income tax on unappropriated earnings	669,472	1,200,427
5-year tax-exempt income	(87,361)	(69,330)
Unrecognized loss carryforwards	13,083	200,233
Adjustments for prior years' tax	<u>116,256</u>	<u>71,020</u>
	<u>\$ 13,324,283</u>	<u>\$ 10,887,619</u>

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

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

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivable	\$ <u>-</u>	\$ <u>1,169</u>
Current tax liabilities		
Income tax payable	\$ <u>3,925,637</u>	\$ <u>4,511,274</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for losses on inventories	\$ 161,661	\$ 29,256	\$ 516	\$ 191,433
Depreciation differences	2,901,455	1,163,358	(91,595)	3,973,218
Unrealized intercompany profit	1,732,492	892	53,855	1,787,239
Unrealized sales returns	885	18,955	-	19,840
Defined benefit obligation	1,113	197	-	1,310
Payables for annual leave	35,653	8,051	(568)	43,136
Impairment loss on property, plant and equipment	10,510	(7,723)	-	2,787
Financial assets at fair value through profit or loss	-	5,646	-	5,646
Other payables	11,702	(7,124)	-	4,578
Allowances for impaired receivables	8,685	(8,557)	(115)	13
Unrealized foreign exchange losses	100,836	(80,496)	-	20,340
Others	<u>38,863</u>	<u>50,266</u>	<u>(22,559)</u>	<u>66,570</u>
	5,003,855	1,172,721	(60,466)	6,116,110
Tax losses	<u>-</u>	<u>44,873</u>	<u>(40)</u>	<u>44,833</u>
	<u>\$ 5,003,855</u>	<u>\$ 1,217,594</u>	<u>\$ (60,506)</u>	<u>\$ 6,160,943</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation differences	\$ 42,282	\$ (17,982)	\$ -	\$ 24,300
Reserves for land value increment tax	<u>12,597</u>	<u>-</u>	<u>-</u>	<u>12,597</u>
	<u>\$ 54,879</u>	<u>\$ (17,982)</u>	<u>\$ -</u>	<u>\$ 36,897</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for losses on inventories	\$ 41,401	\$ 120,596	\$ (336)	\$ 161,661
Depreciation differences	2,294,286	651,212	(44,043)	2,901,455
Unrealized intercompany profit	1,270,234	543,464	(81,206)	1,732,492
Unrealized sales returns	1,687	(802)	-	885
Defined benefit obligation	1,113	-	-	1,113
Payables for annual leave	32,246	3,892	(485)	35,653
Impairment loss on property, plant and equipment	28,019	(17,509)	-	10,510
Deferred revenue	119,967	(119,967)	-	-
Other payables	109,821	(98,119)	-	11,702
Allowances for impaired receivables	8,665	-	(180)	8,685
Unrealized foreign exchange losses	-	100,836	-	100,836
Others	29,540	9,853	(530)	38,863
	3,937,179	1,193,456	(126,780)	5,003,855
Tax losses	35,695	(34,675)	(1,020)	-
	<u>\$ 3,972,874</u>	<u>\$ 1,158,781</u>	<u>\$ (127,800)</u>	<u>\$ 5,003,855</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation differences	\$ 47,761	\$ (5,479)	\$ -	\$ 42,282
Unrealized foreign exchange gains	123,769	(123,769)	-	-
Reserves for land value increment tax	12,597	-	-	12,597
	<u>\$ 184,127</u>	<u>\$ (129,248)</u>	<u>\$ -</u>	<u>\$ 54,879</u>

d. Information about unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2018 comprised:

Unused Amount	Expiry Year
\$ 982,297	2020
373,666	2021
588,364	2022
<u>136,399</u>	2023
<u>\$ 2,080,726</u>	

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

Expansion of Construction Project	Tax-exemption Period
Five years tax-exempt expansion project approved under the Official Letter, No. 1020163631, issued by Tainan City Government	From January 1, 2016 to December 31, 2020

- e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

The taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized amounted to NT\$143,158,327 thousand and NT\$124,310,697 thousand as of December 31, 2018 and 2017, respectively.

- f. Income tax assessments

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

29. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2018	2017
Profit for the year attributable to owners of the Company	\$ <u>27,972,188</u>	\$ <u>21,843,250</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	770,391	770,391
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>9,414</u>	<u>8,853</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>779,805</u>	<u>779,244</u>

If the Group offered to settle compensation paid to employees in cash or shares, the Group 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 earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

30. OPERATING LEASE ARRANGEMENTS

- a. The Group as lessee

Catcher Technology Co., Ltd. entered into an agreement to lease land from Taiwan Sugar Corporation. The lease period is from April 2000 to April 2050. Aquila Technology (Sugian) Co., Ltd. entered into an agreement to lease buildings with lease terms from May 2016 to April 2020.

The future minimum lease payments of operating lease commitments are as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 5,888	\$ 8,613
Later than 1 year and not later than 5 years	19,310	28,656
Later than 5 years	<u>107,160</u>	<u>172,785</u>
	<u>\$ 132,358</u>	<u>\$ 210,054</u>

b. The Group as lessor

Operating leases relate to the investment properties owned by the Group with lease terms from July 2016 to February 2023. The lessee does not have a bargain purchase option to acquire the properties at the expiry of the lease period.

The future minimum lease payments of operating leases are as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 65,283	\$ 21,214
Later than 1 year and not later than 5 years	<u>181,322</u>	<u>22,635</u>
	<u>\$ 246,605</u>	<u>\$ 43,849</u>

31. CAPITAL MANAGEMENT

The Group requires significant amounts of capital to build and expand its production facilities and equipment. The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

32. FINANCIAL INSTRUMENTS

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

The carrying amounts of financial instruments that are not measured at fair value approximate their fair value recognized in the consolidated financial statements; these financial instruments include cash and cash equivalents, financial assets at amortized cost (2018), debt investments with no active market (2017), accounts receivable, other receivables, refundable deposits, short-term loans, accounts payable, other payables, and guarantee deposits received.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Listed shares and emerging market shares	\$ 341,864	\$ -	\$ -	\$ 341,864
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at fair value				
through other comprehensive income				
Unlisted shares	\$ -	\$ -	\$ 64,980	\$ 64,980
Limited Partnerships	-	-	229,255	229,255
	-	-	294,235	294,235

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC equity securities	\$ -	\$ -	\$ 58,500	\$ 58,500

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

For the year ended December 31, 2018

	Financial assets at fair value through other comprehensive income
Balance at January 1, 2018	\$ 58,500
Addition	244,255
Recognized in other comprehensive income (included in unrealized gain / loss on financial assets at fair value through other comprehensive income)	(8,520)
Balance at December 31, 2018	\$ 294,235

For the year ended December 31, 2017

	Available-for-sale Financial Assets Equity Instruments
Balance at January 1, 2017	\$ -
Purchases	<u>58,500</u>
Balance at December 31, 2017	<u>\$ 58,500</u>

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

The fair values of unlisted equity securities in the ROC were estimated based on recent net equity.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 341,864	\$ -
Loans and receivables (i)	-	139,244,303
Available-for-sale financial assets	-	58,500
Financial asset at amortized cost (ii)	168,126,245	-
Financial assets at fair value through other comprehensive income		
Equity instruments	294,235	-

Financial liabilities

Financial liabilities measured at amortized cost (iii)	97,866,773	69,758,272
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(i) The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and refundable deposits.

(ii) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable, other receivables and refundable deposits.

(iii) The balance includes financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, and borrowings. The Group's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), interest rates (see (2) below) and other prices (see (3) below).

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 35.

Sensitivity analysis

The Group was mainly exposed to the United States dollars (USD) and Japanese Yen (JPY).

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD, the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign-currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when the NTD weakens by 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on profit before income tax and the balances below would be negative.

	USD Impact		
	For the Year Ended December 31		
	2018	2017	
Profit or loss	\$ 927,040	\$ 742,013	i.
	JPY Impact		
	For the Year Ended December 31		
	2018	2017	
Profit or loss	\$ 1,232	\$ (7,911)	ii.

i. This was mainly attributable to the exposure on outstanding USD-denominated cash and cash equivalents, financial assets at amortized cost (2018), debt investments with no active market (2017), and receivables and payables which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding JPY-denominated cash and cash equivalents which was not hedged at the end of the reporting period.

The Group's sensitivity to the USD increased during the current period mainly due to the increase in net assets denominated in USD. In management's opinion, the sensitivity analysis

was unrepresentative of inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period. In addition, USD-denominated sales would increase or decrease with customers' orders and the amounts of investments.

b) Interest rate risk

The Group was exposed to interest rate risk because Group entities borrowed funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 140,825,673	\$ 104,352,567
Cash flow interest rate risk		
Financial assets	1,825,853	2,277,763
Financial liabilities	73,633,259	48,025,172

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by NT\$71,807 thousand and NT\$45,747 thousand, respectively; the change would be mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings of cash flow.

The Group's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate debt instruments.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities. The Group manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by NT\$3,419 thousand, as a result of the changes in fair value of financial assets at fair value through profit or loss.

2) Credit risk

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

The counterparties to the foregoing financial instruments are reputable business organizations. Management does not expect the Group's exposure to default by those parties to be material; ongoing credit evaluation is also performed on the financial condition of customers with whom the Group has accounts receivable.

Information on credit risk concentration as of December 31, 2018 and 2017 was as follows:

	December 31			
	2018		2017	
	Amount	%	Amount	%
Customer A	\$ 8,851,155	35	\$ 8,585,276	27
Customer B	8,344,938	33	17,482,359	54
Customer C	4,464,585	18	1,092,925	3

3) Liquidity risk

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

The Group's operating funds and bank loan credit line are deemed sufficient to meet cash flow demands; therefore, liquidity risk is not considered to be significant.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

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

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

December 31, 2018

	Less than 3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 18,004,665	\$ 6,204,508	\$ 24,341
Variable interest rate liabilities	43,232,202	25,841,583	-
Fixed interest rate liabilities	<u>2,162,136</u>	<u>3,044,939</u>	<u>-</u>
	<u>\$ 63,399,003</u>	<u>\$ 35,091,030</u>	<u>\$ 24,341</u>

December 31, 2017

	Less than 3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 14,757,685	\$ 6,945,135	\$ 30,280
Variable interest rate liabilities	<u>33,596,810</u>	<u>14,519,213</u>	<u>-</u>
	<u>\$ 48,354,495</u>	<u>\$ 21,464,348</u>	<u>\$ 30,280</u>

The amounts included for variable interest rate instruments for both non-derivative financial assets and liabilities would change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<u>December 31</u>	
	2018	2017
Unsecured bank loan facilities		
Amount used	\$ 74,076,184	\$ 48,952,163
Amount unused	<u>22,658,552</u>	<u>12,670,039</u>
	<u>\$ 96,734,736</u>	<u>\$ 61,622,202</u>

33. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2018	2017
Short-term employee benefits	\$ 373,077	\$ 751,454
Post-employment benefits	<u>27,245</u>	<u>21,241</u>
	<u>\$ 400,322</u>	<u>\$ 772,695</u>

The remuneration of directors and key executives are determined by the remuneration committee with due regard to the performance of individuals, the performance of the Group, and future risk.

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

- As of December 31, 2018 and 2017, the unused letters of credit of the Group for purchasing raw materials and equipment were NT\$266,923 thousand and NT\$682,747 thousand, respectively.

b. Unrecognized commitments are as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	\$ <u>2,273,723</u>	\$ <u>9,221,898</u>
Acquisition of inventories	\$ <u>29,247</u>	\$ <u>114,218</u>

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is an aggregation of foreign currencies other than the functional currencies of the Group entities and disclosure of the exchange rates between the foreign currencies and the respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,792,611	30.665 (USD:NTD)	\$ 85,635,405
USD	1,467,139	6.9156 (USD:RMB)	45,063,162
JPY	489,582	0.2762 (JPY:NTD)	135,223
<u>Financial liabilities</u>			
Monetary items			
USD	701,218	30.765 (USD:NTD)	21,572,965
USD	534,645	6.9156 (USD:RMB)	16,421,627
JPY	43,238	0.2802 (JPY:NTD)	12,059

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,867,282	29.71 (USD:NTD)	\$ 85,186,933
USD	1,909,666	6.5342 (USD:RMB)	56,831,668
<u>Financial liabilities</u>			
Monetary items			
USD	1,013,934	29.81 (USD:NTD)	30,225,368
USD	1,263,169	6.5342 (USD:RMB)	37,591,897
JPY	2,971,992	0.2662 (JPY:NTD)	791,072

The Group is mainly exposed to the USD. The following information is an aggregation of the functional currencies of the Group entities and disclosures of the exchange rates between the respective functional currencies and the presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

For the Year Ended December 31				
Foreign Currencies	2018		2017	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	30.149 (USD:NTD)	\$ (49,226)	30.432 (USD:NTD)	\$ 5,046
NTD	1 (NTD:NTD)	2,742,899	1 (NTD:NTD)	(3,514,539)
RMB	4.5628 (RMB:NTD)	<u>1,996,465</u>	4.5059 (RMB:NTD)	<u>(2,322,752)</u>
		<u>\$ 4,690,138</u>		<u>\$ (5,832,245)</u>

36. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (N/A)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)

- 5) Acquisitions of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (Table 4)
 - 6) Disposals of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital (N/A)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
 - 9) Trading in derivative instruments (N/A)
 - 10) Intercompany relationships and significant intercompany transactions (Table 9)
 - 11) Information on investees (Table 7)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment from the mainland China area (Table 8)
 - 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses as follows (Tables 1, 5, 6 and 9):
 - a) Purchases - the amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
 - b) Sales - the amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
 - c) Property transactions - the amount of property transactions and the amount of the resultant gains or losses
 - d) Endorsements and guarantees - the balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
 - e) Financing - the highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
 - f) Other - the transactions with material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services

37. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a plant by plant basis with a focus on the operating results of each plant. As each plant shares similar economic characteristics, produces similar products using similar production process and all products are distributed and sold to same-level customers through a central sales function, the Group's operating segments are aggregated into a single reportable

segment. The Group's chief operating decision maker reviews segment information measured on the same basis as the consolidated financial statements. Information about reportable segment sales and profit or loss is referenced from the consolidated statements of comprehensive income for the years ended December 31, 2018 and 2017 and information on assets is referenced from the consolidated balance sheets as of December 31, 2018 and 2017.

a. Geographical information

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

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

	Revenue from External Customers	
	For the Year Ended December 31	
	2018	2017
China	\$ 29,166,852	\$ 32,268,444
United States	58,860,982	55,569,705
Taiwan	2,363,181	967,563
Singapore	4,817,798	4,320,424
Others	<u>207,328</u>	<u>169,824</u>
	<u>\$ 95,416,141</u>	<u>\$ 93,295,960</u>
	Non-current Assets	
	December 31, 2018	December 31, 2017
Taiwan	\$ 7,263,412	\$ 8,104,042
China	<u>46,935,211</u>	<u>49,261,288</u>
	<u>\$ 54,198,623</u>	<u>\$ 57,365,330</u>

Non-current assets excluded those classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income (2018), available-for-sale financial assets (2017) and deferred tax assets.

b. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	2017
Customer A	\$ 58,817,858	\$ 55,481,717
Customer B	<u>16,581,736</u>	<u>20,575,315</u>
	<u>\$ 75,399,594</u>	<u>\$ 76,057,032</u>

TABLE 1

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
1	Gigamag Co., Ltd.	Nanomag International Co., Ltd.	Other receivables - related parties	Yes	\$ 1,535,750	<u>\$ -</u>	\$ -	-	For short-term financing	-	Operating capital	-	-	-	\$ 151,219,313	<u>\$ 151,219,313</u>
2	Topo Technology (Suzhou) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	84,062	\$ -	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Envio Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	268,518	268,518	268,518	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Arcadia Co., Ltd. Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	793,917	626,542	626,542	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 895,060</u>										
3	Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,681,236	\$ 290,895	290,895	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	1,155,596	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	2,649,748	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	3,800,081	156,636	156,636	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 447,531</u>										
4	Catcher Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	3,498,736	\$ 179,012	179,012	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	2,166,528	1,163,578	1,163,578	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Envio Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	466,920	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Meecca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	2,635,778	2,014,838	2,014,838	1.5-4.78963	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	8,527,239	8,527,239	8,527,239	1.5-4.78963	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 11,884,667</u>										
5	Topo Technology (Taizhou) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,289,008	<u>\$ 1,029,319</u>	1,029,319	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
6	Vito Technology (Suqian) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	467,010	<u>\$ -</u>	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
7	Ke Yue Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	1,972,000	<u>\$ 628,195</u>	627,930 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	604,904	<u>\$ 604,904</u>
8	Yi Sheng Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	300,000	<u>\$ 165,900</u>	165,480 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	163,673	<u>\$ 163,673</u>
9	Yi De Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	300,000	<u>\$ 165,900</u>	165,420 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	163,739	<u>\$ 163,739</u>

Note 1: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2018 of the Company; the upper limit of the domestic subsidiaries is equivalent to 40% of the net asset value as of December 31, 2018 of the domestic subsidiaries; but the upper limit of those with business transactions is no more than the needed amount for operations.

Note 2: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2018 of the Company; the upper limit of the domestic subsidiaries is equivalent to 40% of the net asset value as of December 31, 2018 of the domestic subsidiaries.

Note 3: The net asset value mentioned in Notes 1 and 2 above is the equity attributable to owners of the Company on the consolidated balance sheets.

Note 4: The financing provided balance overruns, the subsidiaries has sent an improvement plan to the supervisor.

TABLE 2

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Catcher Technology Co., Ltd.	Alpha Information Systems, Inc.	None	Financial assets at fair value through other comprehensive income - non-current	1,500,000	\$ 35,580	10	\$ 35,580	
	CDIB Capital Innovation Accelerator Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,000,000	29,400	3.57	29,400	
					<u>\$ 64,980</u>		<u>\$ 64,980</u>	
	Sinher Technology Co., Ltd	None	Financial assets at fair value through profit or loss - current	7,439,917	<u>\$ 341,864</u>	9.998	<u>\$ 341,864</u>	
Nanomag International Co., Ltd.	China Renewable Energy Fund, L.P.	None	Financial assets at fair value through other comprehensive income - non - current	-	<u>\$ 229,255</u>	23.53	<u>\$ 229,255</u>	Note 3

Note 1: Securities in this table are shares, bonds, beneficiary certificates and those derived from the above-mentioned items which are within the scope of IFRS 9 “Financial Instrument: Recognition and Measurement”.

Note 2: Refer to Tables 7 and 8 for information on subsidiaries and associates.

Note 3: Percentage of Ownership is the fund share ratio.

TABLE 3

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Topo Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	\$ -	1,064,000,000	\$ 4,851,750 (RMB 1,064,000,000)	1,064,000,000	\$ 4,854,509 (RMB 1,064,605,001)	\$ 4,851,750 (RMB 1,064,000,000)	\$ 2,759 (RMB 605,001)	-	\$ -
Catcher Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	245,000,000	1,117,179 (RMB 245,000,000)	245,000,000	1,117,884 (RMB 245,154,619)	1,117,179 (RMB 245,000,000)	705 (RMB 154,619)	-	-
Arcadia Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	312,000,000	1,422,694 (RMB 312,000,000)	312,000,000	1,423,545 (RMB 312,186,648)	1,422,694 (RMB 312,000,000)	851 (RMB 186,648)	-	-
Vito Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	962,000,000	4,386,639 (RMB 962,000,000)	962,000,000	4,390,113 (RMB 962,761,990)	4,386,639 (RMB 962,000,000)	3,474 (RMB 761,990)	-	-
Meecca Technology (Suzhou Industrial Park) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	295,000,000	1,345,175 (RMB 295,000,000)	295,000,000	1,346,348 (RMB 295,257,228)	1,345,175 (RMB 295,000,000)	1,173 (RMB 257,228)	-	-
Topo Technology (Suzhou) Co., Ltd	RMB Financial Products	Other financial assets		-	-	-	126,000,000	574,549 (RMB 126,000,000)	126,000,000	575,060 (RMB 126,112,043)	574,549 (RMB 126,000,000)	511 (RMB 112,043)	-	-
Meecca Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	246,000,000	1,121,739 (RMB 246,000,000)	246,000,000	1,122,138 (RMB 246,087,343)	1,121,739 (RMB 246,000,000)	399 (RMB 87,343)	-	-
Envio Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	338,950,000	1,545,583 (RMB 338,950,000)	338,950,000	1,548,223 (RMB 339,528,782)	1,545,583 (RMB 338,950,000)	2,640 (RMB 578,782)	-	-
Ke Yue Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	25,139,000	955,282	25,139,000	1,383,474	955,282	428,192	-	-
Yi Sheng Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	7,800,000	296,400	7,800,000	420,633	296,400	124,233	-	-
Yi De Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	7,800,000	296,400	7,800,000	420,818	296,400	124,418	-	-
Nanomag International Co., Ltd.	Norma International Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	258,033,691	10,760,050 (USD 361,560,833)	41,500,000	3,046,580 (USD 87,946,892) (Note 1)	-	-	-	-	299,533,691	13,806,630 (USD 449,507,725)
Norma International Co., Ltd.	Envio Technology (Suqian) Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	1,746,529 (USD 58,687,137)	-	1,002,753 (USD 30,822,283) (Note 2)	-	-	-	-	-	2,749,282 (USD 85,509,420)
Lyra International Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	6,943,832 (USD 233,327,697)	-	2,452,082 (USD 72,578,653) (Note 3)	-	-	-	-	-	9,395,914 (USD 305,906,350)
Catcher Technology Co., Ltd	Ke Yue Co., Ltd	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	-	11,290,000	1,512,259 (Note 4)	-	-	-	-	11,290,000	1,512,259

Note 1: Includes incremental investments of US\$41,500,000, the share of profit of subsidiaries accounted for using the equity method of US\$69,884,150, and foreign exchange loss on translating foreign operations of US\$23,437,258.

Note 2: Includes incremental investments of US\$41,500,000, the share of loss of subsidiaries accounted for using the equity method of US\$5,662,018, and foreign exchange loss on translating foreign operations of US\$5,015,699.

Note 3: Includes incremental investments of US\$37,000,000, the share of profit of subsidiaries accounted for using the equity method of US\$108,892,033, repatriation of earnings of US\$57,487,502, and foreign exchange loss on translating foreign operations of US\$15,825,878.

Note 4: Includes incremental investments of TW\$1,129,000 thousand, the share of loss of subsidiaries accounted for using the equity method of TW\$44,933 thousand, and according to the shareholding ratio, the change in the equity of the subsidiary is adjusted to increase the retained earnings by TW\$428,192 thousand.

Note 5: Issue of ordinary shares of subsidiaries.

TABLE 4

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty / Acquisition Item	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Meeea Technology (Taizhou) Co., Ltd.	Manufacturing plant	2017.06.16-2018.12.31	Contract price is NT\$1,534,094 thousand (RMB 342,790 thousand); NT\$1,381,321 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main contractor is The Industrial Construction Engineering Group Co., Ltd.)	-	-	-	-	\$ -	Price comparison or negotiation	Operating production	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing plant	2017.08.18-2018.12.31	Contract price is NT\$835,499 thousand (RMB 186,690 thousand); NT\$733,991 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main Contractor is Zhongxing Construction Co., Ltd.)	-	-	-	-	-	Price comparison or negotiation	Operating production	-

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	\$ (3,168,348)	12	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	\$ 645,909	5	
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	299,232	7	Net 30 to 90 days after month end close	Equivalent	Equivalent	(121,891)	4	
			Sales	(363,239)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	392,524	3	
	Envio Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(345,238)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	400,281	1	
			Purchases	121,141	0.5	Net 30 to 90 days after month end close	Equivalent	Equivalent	106,168	3	
Topo Technology (Taizhou) Co., Ltd.	Aquila Technology (Suqian) Co., Ltd	Same ultimate parent company	Purchases	137,673	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(84,058)	3	
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	508,934	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(207,086)	3	
			Sales	(4,697,102)	21	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,106,923	10	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(2,986,889)	14	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,902,637	17	
			Purchases	106,230	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(105,854)	1	
Vito Technology (Suqian) Co., Ltd.	Aquila Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	125,630	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(54,830)	1	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(19,724,213)	88	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	6,953,094	63	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(15,542,202)	71	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	6,416,251	59	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(877,667)	2	Net 30 to 90 days after month end close	Equivalent	Equivalent	235,966	2	
			Purchases	114,662	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(88,679)	1	
Arcadia Technology (Suqian) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Sales	(290,815)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	224,072	2	
	Envio Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	954,688	12	Net 30 to 90 days after month end close	Equivalent	Equivalent	(987,017)	15	
			Sales	(104,647)	0.5	Net 30 to 90 days after month end close	Equivalent	Equivalent	72,190	1	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(16,378,077)	98	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	(5,652,094)	95	
			Purchases	102,564	2	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	(11,511)	0.2	
Meecca Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(5,976,675)	39	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	1,293,417	17	
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Purchases	1,359,350	35	Net 30 to 90 days after month end close	Equivalent	Equivalent	(1,130,358)	28	
			Sales	(4,161,722)	28	Net 30 to 90 days after month end close	Equivalent	Equivalent	3,238,843	43	
	Arcadia Technology (Suqian) Co., Ltd	Same ultimate parent company	Sales	(3,662,499)	24	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,886,599	25	
			Purchases	131,574	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(89,398)	2	
Aquila Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(158,488)	30	Net 120 days after month end close	Equivalent	Equivalent	63,046	23	

TABLE 6

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Topo Technology (Suzhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	626,542	- (Note 1)	-	Not applicable	\$ -	\$ -
	Envio Technology (Suqian) Co., Ltd	Same ultimate parent company	268,518	- (Note 1)	-	Not applicable	-	-
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	290,895	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	156,636	- (Note 1)	-	Not applicable	-	-
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	645,909	2.18	-	Not applicable	410,158	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,163,578	- (Note 1)	-	Not applicable	-	-
			392,524	1.75	-	Not applicable	25,940	-
	Envio Technology (Suqian) CO., Ltd.	Same ultimate parent company	400,281	1.72	-	Not applicable	22,266	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	8,527,239	- (Note 1)	-	Not applicable	-	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	2,014,838	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	179,012	- (Note 1)	-	Not applicable	-	-
Topo Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	6,953,094	2.47	-	Not applicable	2,138,698	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,106,923	2.64	-	Not applicable	756,070	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,902,637	1.46	-	Not applicable	1,638,462	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	1,029,319	- (Note 1)	-	Not applicable	-	-
			1,130,358	1.10	-	Not applicable	809,579	-
Vito Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	6,416,251	2.22	-	Not applicable	2,917,185	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	207,086	2.62	-	Not applicable	44,264	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	388,683	2.61	-	Not applicable	17,194	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	224,072	1.26	-	Not applicable	197,587	-
	Catcher Technology (Suqian) Co., Ltd.	Same ultimate parent company	135,706	3.07	-	Not applicable	104,693	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Meecca Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	\$ 1,293,417	1.98	\$ -	Not applicable	\$ -	\$ -
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,886,599	1.83	-	Not applicable	527,588	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	3,238,843	2.55	-	Not applicable	1,400,619	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,150,925	2.23	-	Not applicable	567,104	-
Arcadia Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	5,652,094	2.65	-	Not applicable	3,403,713	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	105,854	3.22	-	Not applicable	17,142	-
Envio Technology (Suqian) Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	Same ultimate parent company	106,168	2.28	-	Not applicable	55,270	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	987,017	1.93	-	Not applicable	562,474	-
Ke Yue Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	627,930	- (Note 1)	-	Not applicable	-	-
Yi Sheng Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	165,480	- (Note 1)	-	Not applicable	-	-
Yi De Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	165,420	- (Note 1)	-	Not applicable	-	-

(Concluded)

Note 1: The ending balance of financing provided is not in the calculation of the turnover rate.

TABLE 7

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Catcher Technology Co., Ltd.	Gigamag Co., Ltd.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Investing activities	\$ 484,941	\$ 484,941	14,377,642	100	\$ 26,390,730	\$ 2,870,180	\$ 3,057,769	
	Nanomag International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	1	1	30	100	114,420,555	15,542,388	16,211,607	
	Sinher Technology Co., Ltd.	10F-1, No. 29-1, Ln. 169, Kangning St., Xizhi Dist. New Taipei City 221, Taiwan (ROC)	Manufacturing electronic parts	Note 3	65,949	Note 3	Note 3	Note 3	229,173	27,554	
	Epileds Technology Inc.	5F, No. 2, Chuangye Rd., Xinshi Dist. Tainan City 744, Taiwan (ROC)	Manufacturing and selling LED wafer and chip	-	100,115	-	-	-	17,407	185	
	Yue-Kang Health Control Technology Inc.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Health and medical treatment consultant	43,660	40,000	4,366,000	39.69	-	(23,902)	(9,193)	
	Ke Yue Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	1,129,000	-	11,290,000	100	1,512,259	(44,933)	(44,933)	
	Yi De Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	298,000	-	3,070,000	100	409,346	(13,072)	(13,072)	
	Yi Sheng Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	298,000	-	3,070,000	100	409,183	(13,050)	(13,050)	
Gigamag Co., Ltd.	Neat Co., Ltd.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	International trading	307 (USD 10,000)	307 (USD 10,000)	10,000	100	308	6		
Nanomag International Co., Ltd.	Castmate International Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investing activities	31,010 (USD 1,009,592)	30,010 (USD 1,009,592)	1,009,592	100	3,469,139	(595,752)		
	Stella International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	10,199,811 (USD 332,079,144)	10,199,811 (USD 332,079,144)	332,079,144	100	20,610,169	4,070,642		
	Aquila International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	32,251 (USD 1,120,000)	32,251 (USD 1,120,000)	1,050,000	75	315,006	90,661		
	Uranus International Co., Ltd.	Room 1907, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	12,255,573 (USD 399,009,383)	12,255,573 (USD 399,009,383)	399,009,383	100	45,827,891	9,802,536		
	Grus International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	-	19,418 (USD 632,214)	-	-	-	289		
	Norma International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	9,200,177 (USD 299,533,691)	7,925,505 (USD 258,033,691)	299,533,691	100	13,806,630	2,280,125		
	Cygnus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	307,312 (USD 10,005,259)	307,312 (USD 10,005,259)	10,005,259	100	3,360,139	(603,055)		
Stella International Co., Ltd.	Lyra International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	10,199,021 (USD 332,053,412)	10,199,021 (USD 332,053,412)	332,053,412	100	22,499,615	4,060,616		
Aquila International Co., Ltd.	Cepheus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	43,001 (USD 1,400,000)	43,001 (USD 1,400,000)	1,400,000	100	418,921	90,812		

Note 1: Share of profit (loss) is only reflected for the subsidiaries invested in directly and the investments accounted for by using the equity method.

Note 2: Information on investments in mainland China is provided in Table 8.

Note 3: In June 2018, the term of the directors expired, therefore losing significant influence on the company, the original equity method evaluation was changed to financial assets at fair value through profit or loss, refer to Table 2.

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 13)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 13)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 13)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Catcher Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	\$ -	2. Cygnus International Co., Ltd. (Note 8)	\$ 1,024,038 (USD 33,340,000)	\$ -	\$ -	\$ 1,024,038 (USD 33,340,000)	\$ -	100	\$ -	\$ -	\$ -
Topo Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	307,457 (USD 10,010,000)	2. Lyra International Co., Ltd. (Notes 4 and 5)	1,239,043 (USD 40,340,000)	-	-	1,239,043 (USD 40,340,000)	(125,935)	100	(125,935) (Note 2.(1))	2,003,550	-
Topo Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,740,063 (RMB 829,779,072) (USD 65,979,240)	2. Lyra International Co., Ltd. (Note 9)	-	-	-	-	2,083,518	100	2,083,518 (Note 2.(1))	10,646,908	5,482,243
Meeeca Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,937,477 (USD 74,610,861) (RMB 814,650,196)	2. Lyra International Co., Ltd. (Note 12)	-	-	-	-	3,309,484	100	3,309,484 (Note 2.(1))	9,395,914	-
Meeeca Technology (Suzhou Industrial Park) Co., Ltd.	Manufacturing, selling and developing varied metal products	307,150 (USD 10,000,000)	2. Cygnus International Co. Ltd. (Note 6)	-	-	-	-	79,296	100	79,296 (Note 2.(1))	2,214,719	-
Catcher Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	6,143,000 (USD 200,000,000)	2. Uranus International Co., Ltd. (Note 7)	2,917,894 (USD 94,999,000)	-	-	2,917,894 (USD 94,999,000)	7,812,010	100	7,812,010 (Note 2.(1))	30,376,724	10,597,814
Vito Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,895,922 (RMB 409,431,280) (USD 132,300,000)	2. Uranus International Co., Ltd. (Note 10)	-	-	-	-	3,557,022	100	3,557,022 (Note 2.(1))	16,643,629	-
Arcadia Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	6,046,754 (USD 138,803,527) (RMB 398,499,193)	2. Norma International Co., Ltd. (Note 11)	-	-	-	-	2,452,185	100	2,452,185 (Note 2.(1))	11,256,421	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	3,026,711 (RMB 188,956,820) (USD 71,010,000)	2. Norma International Co., Ltd. (Note 16)	-	-	-	-	(172,060)	100	(172,060) (Note 2.(1))	2,749,282	-
Aquila Technology (Suqian) Co., Ltd.	Manufacturing and selling molds and electronic parts	43,001 (USD 1,400,000)	2. Cepheus International Co., Ltd.	34,401 (USD 1,120,000)	-	-	34,401 (USD 1,120,000)	90,902	75	68,177 (Note 2.(1))	417,910	169,684
WIT Technology (Taizhou) Co., Ltd. (Note 14)	Researching, developing and manufacturing communication electronic products	-	2. Cetus International Co., Ltd.	-	-	-	-	-	70	-	-	-
Chaohu Yunhai Magnesium Co., Ltd. (Note 15)	Manufacturing and selling dolomite, aluminum, magnesium alloy and other alkaline-earth metals	-	2. Sagitta International Co., Ltd.	678,246 (USD 22,081,923)	-	-	678,246 (USD 22,081,923)	-	46	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 13)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 13 and 14)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 5,893,623 (USD 191,880,923)	\$ 42,525,182 (USD 999,658,076) (RMB 2,641,316,560)	\$ 90,731,588

Note 1: The investing methods are categorized as follows:
1: Direct investment in companies in mainland China
2: Investment in companies in mainland China, which is made by a company incorporated via a third region
3: Others

Note 2: In the column:
1: This means the investee is under initial preparation and there were no gains or losses on investment.
2: The recognition of gains or losses on investment is based on:
(1) The financial statements audited by global accounting firms, which are affiliated with the accounting firms in the Republic of China
(2) The financial statements audited by the certified public accountant of the parent company in Taiwan
(3) Others

Note 3: The upper limit on investment in mainland China is calculated as \$151,219,313×60%=\$90,731,588.

Note 4: The paid-in capital of US\$6,670,000, which is self-funding of Nanomag International Co., Ltd., is invested in Topo Technology (Suzhou) Co., Ltd. through Stella International Co., Ltd., and the paid-in capital of US\$33,300,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$33,300,000 is returned by capital reduction in the fourth quarter of 2014.

Note 5: The paid-in capital of US\$30,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then reinvested in Topo Technology (Suzhou) Co., Ltd. Thereafter, the amount of US\$67,000,000 was returned by capital reduction in the first quarter of 2016.

Note 6: The paid-in capital of US\$106,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Meeeca Technology (Suzhou Industrial Park) Co., Ltd., and the paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. The amount of US\$16,670,000 was returned by capital reduction in the fourth quarter of 2014 and the amount of US\$32,000,000 in the third quarter of 2016. Thereafter, the amount of US\$32,000,000 was returned by capital reduction in the second quarter of 2017, and the amount of US\$32,000,000 was returned by capital reduction in the third quarter of 2017.

Note 7: The paid-in capital of US\$5,001,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Catcher Technology (Suqian) Co., Ltd. The paid-in capital of US\$100,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were invested in Catcher Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 8: The paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$40,000,000 was returned by capital reduction in the second quarter of 2014, and due to dissolution, US\$10,010,000 of capital were returned in August 2016; the remaining amount of capital has not been wired back to Taiwan.

Note 9: The paid-in capital of RMB227,510,746 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. On the other hand, US\$65,979,240 and RMB602,268,326 are earnings distributed from investees in mainland China to Nanomag International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. via Lyra International Co., Ltd.

Note 10: The paid-in capital of US\$99,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. via Uranus International Co., Ltd. The paid-in capital of US\$33,300,000 and RMB409,431,280 is earning distributed from Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 11: The paid-in capital of US\$27,332,360 and RMB398,499,193 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$89,970,000, which is the proceeds arising from the capital reduction of Catcher Technology (Suzhou) Co., Ltd., Topo Technology (Suzhou) Co., Ltd., and Meeeca Technology (Suzhou Industrial Park) Co., Ltd., was invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$21,501,167 is earning distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

Note 12: The paid-in capital of US\$17,610,861 and RMB529,989,796 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., which were then invested in Meeeca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd. The paid-in capital of US\$20,000,000 and RMB284,660,400 are earnings and liquidation income distributed from Catcher Technology (Suzhou) Co., Ltd. and earnings distributed from Topo Technology (Suzhou) Co., Ltd. and Meeeca Technology (Suzhou Industrial Park) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Meeeca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd.

Note 13: The exchange rate on December 31, 2018 was US\$1:NT\$30.715.
The exchange rate on December 31, 2018 was RMB1:NT\$4.4753.

Note 14: WIT Technology (Taizhou) Co., Ltd. was dissolved in June 2012, and the remaining amount of capital has not been wired back to Taiwan.

Note 15: Sagitta International Co., Ltd. sold all of its shares of Chaohu Yunhai Magnesium Co., Ltd. in June 2016, and the remaining amount of capital has not been wired back to Taiwan.

Note 16: The paid-in capital of US\$71,010,000 and RMB\$ 188,956,820, which is the proceeds arising from returned capital of the liquidation from Catcher Technology (Suzhou) Co., Ltd. and the returned capital reduction from Topo Technology (Suzhou) Co., Ltd. and Meeeca Technology (Suzhou Industrial Park) Co., Ltd., is invested in Envio Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

TABLE 9

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
0	Catcher Technology Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	1	Payables to related parties	\$ 645,909		0.25
				Other receivables from related parties	16,694		0.01
				Purchases	3,168,348	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	3.32
		Meecca Technology (Taizhou) Co., Ltd.	1	Purchases of property, plant and equipment	314,479	The purchase prices were negotiated, net 90 days after month end close.	0.33
				Payables to related parties	1,293,417		0.50
				Purchases	5,976,675	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	6.26
		Vito Technology (Suqian) Co., Ltd.	1	Payables to related parties	6,416,251		2.50
				Purchases	15,542,202	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	16.29
		Topo Technology (Taizhou) Co., Ltd.	1	Purchases of property, plant and equipment	2,791,104	The purchase prices were negotiated, net 90 days after month end close.	2.93
				Payables to related parties	6,953,094		2.70
				Other receivables from related parties	18,514		0.01
				Purchases	19,724,213	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	20.67
		Arcadia Technology (Suqian) Co., Ltd.	1	Processing income	35,108		0.04
				Payables to related parties	5,652,094		2.20
				Purchases	16,378,077	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	17.16
		Envio Technology (Suqian) Co., Ltd.	1	Processing income	102,564	The purchase prices were negotiated, net 90 days after month end close.	0.11
				Payables to related parties	51,159		0.02
				Other receivables from related parties	56,080		0.02
				Purchases	51,159	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	0.05
		Meecca Technology (Suzhou Industrial Park) Co., Ltd.	1	Purchases of property plant and equipment	751,033	The purchase prices were negotiated, net 90 days after month end close.	0.79
				Purchases	14,263	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	0.01
		Ke Yue Co., Ltd.	1	Other payables to related parties	627,930		0.24
		Yi Sheng Co., Ltd.	1	Other payables to related parties	165,480		0.06
		Yi De Co., Ltd.	1	Other payables to related parties	165,420		0.06
1	Topo Technology (Suzhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	3	Other receivables from related parties	626,542		0.24
		Vito Technology (Suqian) Co., Ltd.	3	Disposals of property, plant and equipment	26,205	The sales prices were negotiated, net 120 days after acceptance.	0.03
				Processing income	14,054	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.01
		Envio Technology (Suqian) Co., Ltd.	3	Other receivables from related parties	268,518		0.10
		Topo Technology (Taizhou) Co., Ltd.	3	Other receivable from related parties	15,789	The sales prices were negotiated, net 120 days after acceptance.	0.01
				Processing income	25,583		0.03
		Topo Technology (Taizhou) Co., Ltd.	3	Processing income	73,297	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.08
				Interest income	98,371		0.10
2	Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Topo Technology (Taizhou) Co., Ltd.	3	Disposals of property, plant and equipment	22,403	The sales prices were negotiated, net 120 days after acceptance.	0.02
				Other receivables from related parties	50,506		0.02
				Disposals of property, plant and equipment	59,120	The sales prices were negotiated, net 120 days after acceptance.	0.06
				Processing income	55,982	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.06
		Meecca Technology (Taizhou) Co., Ltd.	3	Interest Income	16,918		0.02
				Other receivables from related parties	53,817		0.02
				Other receivables from related parties	290,895		0.11

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
3	Catcher Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.		Other receivables from related parties	\$ 29,857	The sales prices were negotiated, net 120 days after acceptance.	0.01
				Other receivables from related parties	156,636		0.06
				Disposals of property, plant and equipment	25,204		0.03
		Catcher Technology (Suqian) Co., Ltd.	3	Interest income	47,562	The purchase prices were negotiated, net 90 days after month end close.	0.05
				Other receivables from related parties	13,355		0.01
				Processing income	26,819		0.03
		Envio Technology (Suqian) Co., Ltd.	3	Other receivables from related parties	16,465	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.01
		Vito Technology (Suqian) Co., Ltd.	3	Receivables from related parties	392,524		0.15
				Payables to related parties	121,891		0.05
				Other receivables from related parties	1,163,578	The sales prices were negotiated, net 120 days after acceptance.	0.45
				Other receivables from related parties	247,972		0.10
				Other payables to related parties	41,921		0.02
				Purchases	299,232	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.31
				Purchases of property, plant and equipment	128,047	The sales prices were negotiated, net 120 days after acceptance.	0.13
				Sales	363,239	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.38
				Processing income	211,759	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.22
				Interest income	27,352	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.03
		Topo Technology (Taizhou) Co., Ltd.	3	Other receivables from related parties	8,527,239		3.32
				Other receivables from related parties	14,050		0.01
				Receivables from related parties	83,639	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.03
				Interest income	244,746		0.26
				Sales	99,254		0.10
		Arcadia Technology (Suqian) Co., Ltd.	3	Other payables to related parties	32,353	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.01
				Receivables from related parties	29,904		0.01
				Other receivables from related parties	179,012		0.07
				Other receivables from related parties	48,426	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.02
				Purchases	67,145		0.07
				Sales	47,316	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.05
				Interest income	22,504	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.02
				Processing expense	27,801		0.03
				Processing income	41,434	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.04
		Meecca Technology (Taizhou) Co., Ltd.	3	Other receivables from related parties	2,014,838	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.78
				Other receivables from related parties	40,453		0.02
				Receivables from related parties	67,851		0.03
				Sales	80,711	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.08
				Processing income	32,902	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.03
				Interest income	65,924	The purchase prices were not different from third parties, net 120 days after month end close.	0.07
		Aquila Technology (Suqian) Co., Ltd.	3	Payables to related parties	84,058		0.03
				Purchases	137,673		0.14
		Envio Technology (Suqian) Co., Ltd.	3	Receivables from related parties	400,281	The sales prices were not different from third parties, net 120 days after month end close.	0.16
				Payables to related parties	106,168		0.04
				Other receivables from related parties	21,908		0.01
				Sales	345,238	The sales prices were not different from third parties, net 120 days after month end close.	0.36
				Purchases	121,141	The purchase prices were not different from third parties, net 120 days after month end close.	0.13
				Processing income	18,829	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.02

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
4	Aquila Technology (Suqian) Co., Ltd.	Topo Technology (Taizhou) Co., Ltd.	3	Sales	\$ 125,630	The sales prices were not different from third parties, net 120 days after month end close.	0.13
		Arcadia Technology (Suqian) Co., Ltd.	3	Receivables from related parties	54,830		0.02
				Sales	158,488	The sales prices were not different from third parties, net 120 days after month end close.	0.17
		Vito Technology (Suqian) Co., Ltd.	3	Receivables from related parties	63,046		0.02
5	Topo Technology (Taizhou) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd. Vito Technology (Suqian) Co., Ltd.	3	Sales	18,019		0.02
			3	Purchases	508,934	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.53
		Arcadia Technology (Suqian) Co., Ltd.	3	Sales	4,697,102	The sales prices were not different from third parties, net 30 to 90 days after month end close.	4.92
				Processing expense	46,935	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.05
				Disposals of property, plant and equipment	12,137	The Sales prices were negotiated, net 120 days after acceptance.	0.01
				Purchases of property, plant and equipment	13,808	The sales prices were negotiated, net 120 days after acceptance.	0.01
				Processing income	77,212	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.08
				Payables to related parties	207,086		0.08
				Receivables from related parties	1,106,923		0.43
				Other receivables from related parties	100,623		0.04
				Other payables to related parties	34,917		0.01
				Other payables to related parties	13,070		0.01
				Other receivables from related parties	160,957		0.06
				Payables to related parties	105,854		0.04
				Receivables from related parties	1,902,637		0.74
				Sales	2,986,889	The sales prices were not different from third parties, net 30 to 90 days after month end close.	3.13
				Purchases	106,230	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.11
				Disposals of property, plant and equipment	90,972	The Sales prices were negotiated, net 120 days after acceptance.	0.10
				Purchases of property, plant and equipment	20,060	The sales prices were negotiated, net 120 days after acceptance.	0.02
				Processing expense	12,823	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.01
		Meeca Technology (Taizhou) Co., Ltd.	3	Other receivables from related parties	1,029,319		0.40
				Other receivables from related parties	639,052		0.25
				Receivables from related parties	1,130,358		0.44
				Payables to related parties	3,238,843		1.26
				Purchases	4,161,722	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	4.36
				Sales	1,359,350	The sales prices were not different from third parties, net 30 to 90 days after month end close.	1.42
				Disposals of property, plant and equipment	290,077	The Sales prices were negotiated, net 120 days after acceptance.	0.30
				Processing income	261,075	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.27
				Processing expense	21,087	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.02
				Interest income	16,070		0.02

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
6	Vito Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	3	Receivables from related parties	\$ 388,683		0.15
				Payables to related parties	88,679		0.03
				Sales	877,667	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.77
				Disposals of property, plant and equipment	120,898	The Sales prices were negotiated, net 120 days after acceptance.	0.13
				Processing income	115,515	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.12
				Purchases	114,662	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.12
		Meeca Technology (Taizhou) Co., Ltd.	3	Receivables from related parties	224,072		0.09
				Other receivables from related parities	89,993		0.03
				Payables to related parties	1,150,925		0.45
				Sales	290,815	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.30
				Processing income	101,190	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.11
				Processing expense	1,281,329	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	1.34
		Envio Technology (Suqian) Co., Ltd.	3	Payables to related parties	987,017		0.38
				Receivables from related parties	72,190		0.03
				Other receivables from related parities	66,579		0.03
				Other payables to related parities	15,792		0.01
				Purchases	954,688	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	1.00
				Sales	104,647	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.11
				Disposals of property, plant and equipment	28,610	The Sales prices were negotiated, net 120 days after acceptance.	0.03
				Processing income	82,184	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.09
				Processing expense	13,671	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.01
7	Meeca Technology (Taizhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	3	Receivables from related parties	1,886,599		0.73
				Payables to related parties	89,398		0.03
				Other payables to related parities	115,793		0.05
				Purchases	131,574	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.14
				Sales	3,662,499	The sales prices were not different from third parties, net 30 to 90 days after month end close.	3.84
				Processing expense	149,509	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.16
8.	Arcadia Technology (Suqian) Co., Ltd.	Envio Technology (Suqian) Co., Ltd.	3.	Purchases of property, plant and equipment	26,584	The sales prices were negotiated, net 120 days after acceptance.	0.03
				Other receivables from related parities	15,096		0.01
				Processing income	12,973	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.01

(Concluded)

Note: No. 1 represents transactions from parent company to subsidiaries.
No. 2 represents transactions from subsidiaries to parent company.
No. 3 represents transactions among subsidiaries.

Catcher Technology Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Catcher Technology Co., Ltd.

Opinion

We have audited the accompanying standalone financial statements of Catcher Technology Co., Ltd. (the Company), which comprise the standalone balance sheets as of December 31, 2018 and 2017, and the standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the standalone financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the report of other auditors (refer to the other matter paragraph below), the accompanying standalone financial statements present fairly, in all material respects, the standalone financial position of the Company as of December 31, 2018 and 2017, and its standalone financial performance and its standalone cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, 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 based on our audits and the report of other auditors.

Key Audit Matters

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

The description of the key audit matters of the Company's standalone financial statements for the year ended December 31, 2018 is as follows:

As stated in Notes 4(e), 5(b) and 13 to the accompanying standalone financial statements, as of December 31, 2018, the Company's net inventory amounted to NT\$10,524,943 thousand (net of obsolescence loss of NT\$879,940 thousand). Such inventory loss represents approximately 8% of the total inventory. The Company operates in a fast-changing industry whereby developments in product technology and market demand may result in slow moving or obsolete inventory. Because the evaluation of inventory impairment and obsolescence loss involves management's material estimations, we deemed such valuation to be a key audit matter.

Our main audit procedures performed in regard of this key audit matter include:

- We determined the appropriateness of the Company's methodology for the evaluation of inventory impairment and obsolescence loss based on our understanding of the business and industry, coupled with our understanding of the nature and aging of the inventory.
- We obtained the valuation report for the net realizable value of the inventory and assessed the reasonableness of the inventory valuation by sample-selecting inventory items and comparing the carrying amounts to the latest sales prices.
- We observed the year end inventory counts and inspected the condition of the inventory and determined the appropriateness of the recognized inventory impairment and obsolescence loss.

Other Matter

We did not audit the financial statements of one associate, Sinher Technology Co., Ltd. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts for this associate, was based solely on the report of the other auditors. The amount of the equity method investment in the abovementioned associate was NT\$0 and NT\$383,335 thousand, or 0% and 0.17% of the Company's total assets as of December 31, 2018 and 2017, respectively. The Company's share of the comprehensive income recognized under the equity method was NT\$30,638 thousand and NT\$35,600 thousand, or 0.11% and 0.20% of the Company's comprehensive income, for the years ended December 31, 2018 and 2017, respectively.

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

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

In preparing the standalone financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone financial statements.

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

1. Identify and assess the risks of material misstatement of the standalone 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 Company'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 Company'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 standalone 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

where applicable, related safeguards.

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

The engagement partners on the audit resulting in this independent auditors' report are Chi Chen Lee and Chun Chi Kung.

Deloitte & Touche
Taipei, Taiwan
Republic of China
March 6, 2019

Notice to Readers

The accompanying standalone financial statements are intended only to present the standalone 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 standalone financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying standalone 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 standalone financial statements shall prevail.

CATCHER TECHNOLOGY CO., LTD.

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

ASSETS	December 31, 2018		December 31, 2017		LIABILITIES AND EQUITY	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 12,499,640	5	\$ 1,447,578	1	Short-term borrowings (Note 20)	\$ 64,738,000	26	\$ 48,025,172	22
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	341,864	-	-	-	Contract liabilities - current (Notes 4 and 25)	20,169	-	-	-
Financial assets at amortized cost - current (Notes 4 and 9)	59,457,368	24	-	-	Accounts payable (Note 21)	469,581	-	362,969	-
Debt investments with no active market - current (Notes 4 and 11)	-	-	60,769,188	28	Accounts payable to related parties (Notes 21 and 32)	21,013,338	9	29,820,057	13
Notes receivable (Notes 4 and 12)	33	-	-	-	Other payables (Note 22)	5,046,080	2	4,697,680	2
Accounts receivable (Notes 4 and 12)	11,112,607	5	21,222,115	10	Other payables - related parties (Note 32)	970,370	-	23,873	-
Accounts receivables from related parties (Notes 4 and 32)	-	-	31,840	-	Current tax liabilities (Notes 4 and 27)	1,526,952	1	1,607,882	1
Other receivables (Note 4)	437,864	-	225,628	-	Other current liabilities (Note 22)	<u>508,382</u>	-	<u>1,430,290</u>	<u>1</u>
Other receivables from related parties (Notes 4 and 32)	105,636	-	1,507,677	1	Total current liabilities	<u>94,292,872</u>	<u>38</u>	<u>85,967,923</u>	<u>39</u>
Inventories (Notes 4, 5 and 13)	10,524,943	4	3,493,834	1	NON-CURRENT LIABILITIES				
Prepayments for leases (Note 18)	1,291	-	1,291	-	Deferred tax liabilities (Notes 4, 5 and 27)	36,897	-	54,879	-
Other current assets (Note 19)	<u>60,962</u>	-	<u>1,105,865</u>	-	Net defined benefit liabilities - non-current (Notes 4 and 23)	6,552	-	6,551	-
Total current assets	<u>94,542,208</u>	<u>38</u>	<u>89,805,016</u>	<u>41</u>	Other non-current liabilities (Note 22)	<u>11,110</u>	-	<u>20,858</u>	-
NON-CURRENT ASSETS					Total non-current liabilities	<u>54,559</u>	-	<u>82,288</u>	-
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	64,980	-	-	-	Total liabilities	<u>94,347,431</u>	<u>38</u>	<u>86,050,211</u>	<u>39</u>
Available-for-sale financial assets - non-current (Notes 4 and 10)	-	-	58,500	-	EQUITY (Note 24)				
Financial assets at amortized cost - non-current (Notes 4 and 9)	874	-	-	-	Share capital - ordinary shares	<u>7,703,911</u>	<u>3</u>	<u>7,703,911</u>	<u>4</u>
Investments accounted for using the equity method (Notes 4, 14 and 33)	143,142,073	59	122,228,782	56	Capital surplus	<u>20,238,740</u>	<u>9</u>	<u>20,270,956</u>	<u>9</u>
Property, plant and equipment (Notes 4, 15, 32 and 33)	6,896,206	3	6,210,883	3	Retained earnings				
Investment properties (Notes 4, 16 and 34)	234,161	-	239,892	-	Legal reserve	15,607,700	6	13,423,375	6
Other intangible assets (Notes 4 and 17)	53,411	-	2,988	-	Special reserve	6,207,055	3	2,487,529	1
Deferred tax assets (Notes 4 and 27)	553,197	-	517,567	-	Unappropriated earnings	<u>108,872,223</u>	<u>44</u>	<u>95,371,730</u>	<u>44</u>
Long-term prepayments for leases (Note 18)	360	-	1,442	-	Total retained earnings	<u>130,686,978</u>	<u>53</u>	<u>111,282,634</u>	<u>51</u>
Other non-current assets (Note 19)	<u>79,274</u>	-	<u>35,587</u>	-	Other equity	(7,410,316)	(3)	(6,207,055)	(3)
Total non-current assets	<u>151,024,536</u>	<u>62</u>	<u>129,295,641</u>	<u>59</u>	Total equity	<u>151,219,313</u>	<u>62</u>	<u>133,050,446</u>	<u>61</u>
TOTAL	<u>\$ 245,566,744</u>	<u>100</u>	<u>\$ 219,100,657</u>	<u>100</u>	TOTAL	<u>\$ 245,566,744</u>	<u>100</u>	<u>\$ 219,100,657</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

CATCHER TECHNOLOGY CO., LTD.

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 25 and 32)	\$ 66,951,051	100	\$ 65,607,147	100
OPERATING COSTS (Notes 13,15,26 and 32)	<u>58,557,466</u>	<u>88</u>	<u>58,015,246</u>	<u>89</u>
GROSS PROFIT	<u>8,393,585</u>	<u>12</u>	<u>7,591,901</u>	<u>11</u>
OPERATING EXPENSES (Note 26)				
Selling and marketing expenses	121,280	-	111,630	-
General and administrative expenses	262,981	-	265,010	-
Research and development expenses	<u>499,716</u>	<u>1</u>	<u>472,953</u>	<u>1</u>
Total operating expenses	<u>883,977</u>	<u>1</u>	<u>849,593</u>	<u>1</u>
PROFIT FROM OPERATIONS	<u>7,509,608</u>	<u>11</u>	<u>6,742,308</u>	<u>10</u>
NON-OPERATING INCOME AND EXPENSES (Note 26)				
Interest income	1,683,525	3	764,542	1
Other income	9,213	-	8,215	-
Foreign exchange gains (losses), net	2,742,899	4	(3,514,539)	(5)
Other gains and losses	97,730	-	1,948	-
Interest expenses	(381,291)	(1)	(284,716)	(1)
Share of profit of subsidiaries and associates	<u>19,216,867</u>	<u>29</u>	<u>21,532,210</u>	<u>33</u>
Total non-operating income and expenses	<u>23,368,943</u>	<u>35</u>	<u>18,507,660</u>	<u>28</u>
PROFIT BEFORE INCOME TAX	30,878,551	46	25,249,968	38
INCOME TAX EXPENSE (Notes 4 and 27)	<u>2,906,363</u>	<u>4</u>	<u>3,406,718</u>	<u>5</u>
NET PROFIT	<u>27,972,188</u>	<u>42</u>	<u>21,843,250</u>	<u>33</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Unrealized gain / (loss) on investments in equity instruments at fair value through other comprehensive income	(8,520)	-	-	-
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method				
Remeasurement of defined benefit plans	5	-	8	-

(Continued)

CATCHER TECHNOLOGY CO., LTD.

**STANDALONE 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	%
Shares of other equity of subsidiaries	\$ 676,843	1	\$ -	-
	<u>668,328</u>	<u>1</u>	<u>8</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 24)	(1,197,870)	(2)	(3,707,100)	(5)
Share of the other comprehensive loss of subsidiaries and associates accounted for using the equity method (Note 24)	3,129	-	(12,426)	-
	<u>(1,194,741)</u>	<u>(2)</u>	<u>(3,719,526)</u>	<u>(5)</u>
Other comprehensive loss for the year, net of income tax	<u>(526,413)</u>	<u>(1)</u>	<u>(3,719,518)</u>	<u>(5)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 27,445,775</u>	<u>41</u>	<u>\$ 18,123,732</u>	<u>28</u>
EARNINGS PER SHARE (Note 28)				
Basic	\$ 36.31		\$ 28.35	
Diluted	<u>\$ 35.87</u>		<u>\$ 28.03</u>	

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

(Concluded)

CATCHER TECHNOLOGY CO., LTD.

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

	Retained Earnings					Other Equity		
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE, JANUARY 1, 2017	\$ 7,703,911	\$ 20,269,657	\$ 11,221,396	\$ 2,377,902	\$ 83,543,989	\$ (2,487,529)	\$ -	\$ 122,629,326
Appropriation of the 2016 earnings								
Legal reserve	-	-	2,201,979	-	(2,201,979)	-	-	-
Special reserve	-	-	-	109,627	(109,627)	-	-	-
Cash dividends distributed by the Company - 100%	-	-	-	-	(7,703,911)	-	-	(7,703,911)
Changes in capital surplus from donations from shareholders	-	1,666	-	-	-	-	-	1,666
Net profit for the year ended December 31, 2017	-	-	-	-	21,843,250	-	-	21,843,250
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	8	(3,719,526)	-	(3,719,518)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	21,843,258	(3,719,526)	-	18,123,732
Disposals of investments accounted for using the equity method (Note 14)	-	(367)	-	-	-	-	-	(367)
BALANCE, DECEMBER 31, 2017	7,703,911	20,270,956	13,423,375	2,487,529	95,371,730	(6,207,055)	-	133,050,446
Appropriation of the 2017 earnings								
Legal reserve	-	-	2,184,325	-	(2,184,325)	-	-	-
Special reserve	-	-	-	3,719,526	(3,719,526)	-	-	-
Cash dividends distributed by the Company - 120%	-	-	-	-	(9,244,692)	-	-	(9,244,692)
Changes in capital surplus from donations from shareholders	-	305	-	-	-	-	-	305
Changes in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	995	-	-	-	-	-	995
Net profit for the year ended December 31, 2018	-	-	-	-	27,972,188	-	-	27,972,188
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	676,848	(1,194,741)	(8,520)	(526,413)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	28,649,036	(1,194,741)	(8,520)	27,445,775
Disposals of investments accounted for using the equity method (Note 14)	-	(33,516)	-	-	-	-	-	(33,516)
BALANCE, DECEMBER 31, 2018	<u>\$ 7,703,911</u>	<u>\$ 20,238,740</u>	<u>\$ 15,607,700</u>	<u>\$ 6,207,055</u>	<u>\$ 108,872,223</u>	<u>\$ (7,401,796)</u>	<u>\$ (8,520)</u>	<u>\$ 151,219,313</u>

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

CATCHER TECHNOLOGY CO., LTD.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 30,878,551	\$ 25,249,968
Adjustments for:		
Depreciation expenses	828,213	775,184
Amortization expenses	7,195	4,953
Loss on financial instruments at fair value through profit or loss	29,039	-
Amortization of prepayments for leases	1,082	1,081
Interest expenses	381,291	284,716
Interest income	(1,683,525)	(764,542)
Share of profit of subsidiaries and associates	(19,216,867)	(21,532,210)
Gain on disposals of property, plant and equipment	(35,844)	(45,940)
Gain on disposals of investments	(127,279)	(2,232)
Write-down of inventories	-	771,830
Unrealized gain on transactions with subsidiaries	639,508	389,361
Unrealized (gain) loss on foreign currency exchange	(545,671)	1,211,223
Changes in operating assets and liabilities		
Financial instruments at fair value through profit or loss	45,110	-
Notes receivable	(33)	-
Accounts receivable	10,285,675	1,295,263
Accounts receivable - related parties	32,396	(10,659)
Other receivables	(29,321)	(1,940)
Other receivables - related parties	1,423,278	(425,850)
Inventories	(7,031,109)	(3,336,412)
Other current assets	1,041,535	(666,270)
Contract liabilities	(225,265)	-
Accounts payable	104,608	6,219
Accounts payable - related parties	(9,067,116)	12,697,737
Other payables	(1,259,556)	(1,791,294)
Other payables - related parties	5,614	(8,023)
Other current liabilities	(676,474)	1,216,995
Net defined benefit liabilities	1	2
Other non-current liabilities	10	(573,411)
Cash generated from operations	5,805,046	14,745,749
Dividends received	24,741	9,332,476
Income tax paid	(3,040,905)	(3,494,453)
Net cash generated from operating activities	2,788,882	20,583,772
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	(15,000)	-
Purchase of financial assets at amortized cost	(262,614,500)	-
Proceeds from disposals of financial assets at amortized cost	264,547,796	-
Purchase of available-for-sale financial assets	-	(58,500)
Purchase of debt investments with no active market	-	(215,163,556)

(Continued)

CATCHER TECHNOLOGY CO., LTD.

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

	2018	2017
Proceeds from disposals of debt investments with no active market	\$ -	\$ 185,555,709
Acquisitions of investments accounted for using equity method	(1,728,660)	-
Net cash inflow on disposal of associates	219,003	6,439
Acquisitions of property, plant and equipment	(1,620,929)	(846,483)
Proceeds from disposals of property, plant and equipment	1,259	8,511
Decrease in refundable deposits	101	7
Acquisitions of other intangible assets	(54,676)	(3,206)
Acquisitions of investment properties	(297)	(800)
Interest received	<u>1,500,804</u>	<u>648,113</u>
Net cash generated from (used in) investing activities	<u>234,901</u>	<u>(29,853,766)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	243,784,401	177,121,458
Repayments of short-term borrowings	(227,077,205)	(167,053,654)
Proceeds from long-term borrowings	-	1,355,000
Repayments of long-term borrowings	-	(1,500,000)
Proceeds from guarantee deposits received	3,842	59,567
Refunds of guarantee deposits received	(13,600)	(45,009)
Increase in other payables - related parties	1,908,399	-
Decrease in other payables - related parties	(949,569)	-
Cash dividends paid	(9,244,692)	(7,703,911)
Interest paid	<u>(383,297)</u>	<u>(286,722)</u>
Net cash generated from financing activities	<u>8,028,279</u>	<u>1,946,729</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,052,062	(7,323,265)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,447,578</u>	<u>8,770,843</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 12,499,640</u>	<u>\$ 1,447,578</u>

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

(With Deloitte & Touche auditors' report dated March 6, 2019)

(Concluded)

CATCHER TECHNOLOGY CO., LTD.

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

1. GENERAL INFORMATION

Catcher Technology Co., Ltd. (the Company) was incorporated in November 1984 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells aluminum and magnesium extrusion and stamping products and molds. It also provides leasing services.

The Company's shares were listed and traded on the Taipei Exchange (formerly called the GreTai Securities Market) from November 1999 until September 2001, when the Company listed its shares on the Taiwan Stock Exchange (TWSE) under stock number "2474" and ceased listing and trading on the Taipei Exchange.

The Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs) on the Luxembourg Stock Exchange (Euro MTF) in June 2011.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The standalone financial statements were published after being approved by the Company's board of directors on March 6, 2019.

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

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

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

1) IFRS 9 "Financial Instruments" and related amendments

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

Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Company 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 Company's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 1,447,578	\$ 1,447,578	c)
Equity securities	Available-for-sale	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	58,500	58,500	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	60,769,188	60,769,188	b)
Accounts receivables and other receivables	Loans and receivables	Amortized cost	22,987,260	22,987,260	c)
Refundable deposits	Loans and receivables	Amortized cost	975	975	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	IFRS 9 Carrying Amount as of January 1, 2018	Remark
<u>FVTOCI</u>				
Equity instruments	\$ -			
Add: Reclassification from available-for-sale (IAS 39)	-	\$ 58,500		a)
	<u>-</u>	<u>58,500</u>	\$ 58,500	
<u>Amortized cost</u>				
Add: Reclassification from debt investments in instruments with no active market (IAS 39)	-	60,769,188		b)
Add: Reclassification from loans and receivables (IAS 39)	-	24,435,813		c)
	<u>-</u>	<u>85,205,001</u>	<u>85,205,001</u>	
	<u>\$ -</u>	<u>\$ 85,263,501</u>	<u>\$ 85,263,501</u>	

- a) The Company 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.
- b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.
- c) Cash and cash equivalents, accounts receivables, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

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

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

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is

recognized as a contract asset or a contract liability. Prior to the application of IFRS 15, receivables were recognized or deferred revenue was reduced when revenue was recognized for the relevant contract under IAS 18.

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

The impact on liabilities as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 239,611	\$ 239,611
Other current liabilities	<u>1,430,290</u>	<u>(239,611)</u>	<u>1,190,679</u>
Total effect on liabilities	<u>\$ 1,430,290</u>	<u>\$ -</u>	<u>\$ 1,430,290</u>

Had the Company applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

Impact on liabilities for current year

	December 31, 2018
Decrease in contract liability - current	\$ (20,169)
Increase in other current liabilities	<u>20,169</u>
Total effect on liabilities	<u>\$ -</u>

- 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 January 1, 2018.

Note 3: The Company 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 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 Company will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

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

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

Except for the leases of investment properties mentioned below, lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases under IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Except for the following practical expedients which are to be applied, the Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

- a) The Company will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Company will adjust the right-of-use assets on January 1, 2019 by the amount of any provisions for onerous leases recognized as of December 31, 2018.

- c) The Company will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- d) The Company will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- e) The Company will use hindsight, such as in determining lease terms, to measure lease liabilities.

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

The Company as lessor

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 893	\$ (893)	\$ -
Prepayments for leases - non-current	1,442	(1,442)	-
Right-of-use assets	<u>-</u>	<u>92,208</u>	<u>92,208</u>
Total effect on assets	<u>\$ 2,335</u>	<u>\$ 89,873</u>	<u>\$ 92,208</u>
Lease liabilities - current	\$ -	\$ 6,688	\$ 6,688
Lease liabilities - non-current	<u>-</u>	<u>83,185</u>	<u>83,185</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 89,873</u>	<u>\$ 89,873</u>

2) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The Company will apply the above amendments prospectively.

Except for the above impacts, as of the date the standalone financial statements were authorized for issue, the Company continues assessing other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Company’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

- 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 Company 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 Company 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 Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

The standalone financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

The standalone financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

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 of the inputs to the fair value measurement in its entirety, which are described as follows:

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

When preparing the standalone financial statements, the Company used the equity method to account for its investments in subsidiaries and associates. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the standalone financial statements to be the same with the amounts attributable to the owners of the Company in its consolidated financial

statements, adjustments arising from the differences in accounting treatments between the standalone basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries and associates, the share of other comprehensive income of subsidiaries and associates and the related equity items, as appropriate, in the standalone financial statements.

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

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

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

e. Inventories

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

f. Investment accounted for using equity method

The Company uses the equity method to account for its investments in subsidiaries and associates.

Investment in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the share of other equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes a reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profits or losses resulting from downstream transactions are eliminated in full only in the standalone financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the standalone financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

Investment in associates

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

The Company uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. The

Company also recognizes the changes in the Company's share of the equity of associates.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Company discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Company accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Company transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Company's standalone financial statements only to the extent of interests in the associate that are not related to the Company.

g. Property, plant and equipment

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

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

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

h. Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

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

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

i. Intangible assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and

amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates 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.

j. Impairment of tangible and intangible assets and assets related to contract costs

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

k. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

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

i. Financial assets at FVTPL

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

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 31.

ii. Financial assets at amortized cost

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

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

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

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

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

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

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate

investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

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

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

2017

Financial assets of the Company are classified as available-for-sale financial assets and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amounts of available-for-sale monetary financial assets (relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments) are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when such investments are disposed of or are determined to be impaired.

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

ii. Loans and receivables

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

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

b) Impairment of financial assets and contract assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivables) at the end of each reporting period.

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

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

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

2017

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

For financial assets measured at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with defaults on receivables.

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

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

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

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

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

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

The carrying amount of a 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, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectable accounts receivable that are written off against the allowance account.

c) Derecognition of financial assets

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

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

Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

1. Revenue recognition

2018

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

Revenue from the sale of goods

Revenue from the sale of goods comes from sales of metal casing. Sales of metal casing product are recognized as revenue when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods and the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which is determined for export sales on the bases of the terms of the trade and for domestic sales on the bases of the acceptance date of the counterparty. Accounts receivable are recognized concurrently. Advance receipts are recognized as contract liabilities before the conditions of trade of the products are reached.

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

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. Sales returns are recognized at the time of sale based on the Company's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Dividend and interest income

Dividend income is recognized when a shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

m. Leasing

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

1) The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

2) The Company as lessee

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

3) Leasehold land for own use

When a lease includes both land and building elements, the Company assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Company.

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

n. Borrowing costs

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

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

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

o. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are

recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Company's defined benefit plans. 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.

p. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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

deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Income taxes

As of December 31, 2018 and 2017, the Company's management resolved that the unappropriated retained earnings of overseas subsidiaries as of December 31, 2017 will be used for permanent investment; this was approved by the board of directors on March 5, 2018. Therefore, no deferred tax liabilities were recognized on the subsidiaries' unappropriated earnings. If the retained earnings of overseas subsidiaries will be appropriated in the future, a material recognition of deferred tax liabilities may arise, which would be recognized in profit or loss for the period in which such appropriation takes place.

b. Write-down of inventories

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 historical experience with 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 on hand	\$ 580	\$ 401
Deposits in banks	170,210	109,389
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	11,925,165	891,300
Repurchase agreements	<u>403,685</u>	<u>446,488</u>
	<u>\$ 12,499,640</u>	<u>\$ 1,447,578</u>

The range of interest rates of time deposits and repurchase agreements was as follows:

	December 31	
	2018	2017
Time deposits	2.68%-3.25%	2.3%
Repurchase agreements	3.15%-3.4%	1.7%-2.0%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

**December 31,
2018**

Financial assets at FVTPL - current

Financial assets mandatorily classified as at FVTPL

Non-derivative financial assets

Domestic quoted shares \$ 341,864

The Company holds 9.998% of the ordinary shares of Sinher Technology Co., Ltd. The term of the director has expired in June 2018. The Company was not able to exercise significant influences over Sinher Technology Co., Ltd. The Company holds the remaining interest as financial assets at fair value through profit or loss (refer to Note 14).

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

Investments in equity instruments at Fair Value Through Other Comprehensive Income

**December 31,
2018**

Non-current

Domestic investments

Unlisted shares

Ordinary shares - Alpha Information Systems, Inc. \$ 35,580

Ordinary shares - CDIB Capital Innovation Accelerator Co., 29,400

Ltd.

\$ 64,980

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 Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Note 3, and Note 10 for information relating to their reclassification and comparative information for 2017.

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,
2018**

Current

Domestic investments

Time deposits with original maturity of more than 3 months	\$ 59,388,907
Repurchase agreements	<u>68,461</u>

\$ 59,457,368

Non-current

Domestic investments

Refundable deposits	<u>\$ 874</u>
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The interest rates for time deposits with original maturity of more than 3 months was 2.58% ~ 3.28% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 11 for information relating to their reclassification and comparative information for 2017.

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - DECEMBER 31, 2017

Unlisted shares	<u>\$ 58,500</u>
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11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT

**December 31,
2017**

Time deposits with original maturities of more than 3 months	<u>\$ 60,769,188</u>
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Range of interest rates	1.51%-2.20%
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12. NOTES RECEIVABLE AND ACCOUNTS RECEIVABLE

**December 31,
2018**

Notes receivable

At amortized cost

Gross carrying amount	<u>\$ 33</u>
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Notes receivable - operating	<u>\$ 33</u>
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	December 31	
	2018	2017
<u>Accounts receivable</u>		
At amortized cost		
Gross carrying amount	\$ 11,121,045	\$ 21,230,553
Less: Allowance for impairment loss	<u>(8,438)</u>	<u>(8,438)</u>
	<u>\$ 11,112,607</u>	<u>\$ 21,222,115</u>

a. Notes receivable

The Company analyzed notes receivable was not past due based on past due status, and the Company did not recognize an allowance of notes receivable as of December 31, 2018 and 2017.

b. Accounts receivables

In 2018

The average credit period of sales of goods was 30 to 180 days. No interest was charged on accounts receivable. The Company 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. Credit rating information is obtained from independent rating agencies where available or, if not available, the Company uses other publicly available financial information or its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on 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 economic conditions at the reporting date. As the Company'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 Company's different customer base.

The Company writes off an account 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 Company 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 Company's provision matrix as of December 31, 2018.

December 31, 2018

	Not Past Due	Less than 60 Days	61 to 120 Days	Total
Expected credit loss rate	0%~0.08%	0.02%~0.13%	0.28%~5.47%	
Gross carrying amount	\$ 11,107,473	\$ 13,365	\$ 207	\$ 11,121,045
Loss allowance (Lifetime ECL)	<u>(8,428)</u>	<u>(10)</u>	<u>-</u>	<u>(8,438)</u>
Amortized cost	<u>\$ 11,099,045</u>	<u>\$ 13,355</u>	<u>\$ 207</u>	<u>\$ 11,112,607</u>

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

	For the Year Ended December 31, 2018
Balance at January 1, 2018 per IAS 39 and IFRS 9	\$ <u>8,438</u>
Balance at December 31, 2018	\$ <u>8,438</u>

In 2017

The Company applied the same credit policy in 2018 and 2017. The allowance for impairment loss was based on estimated irrecoverable amounts individually determined by reference to an analysis of the customer's current financial position.

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

The aging analysis based on the invoice date of receivables was as follows:

	December 31, 2017
Up to 90 days	\$ 20,022,336
91 - 120 days	1,201,727
121 - 150 days	6,148
151 - 180 days	223
181 - 240 days	72
More than 241 days	<u>47</u>
	<u>\$ 21,230,553</u>

The aging analysis based on the invoice date of receivables that were past due but not impaired was as follows:

	December 31, 2017
181 - 240 days	\$ 72
More than 241 days	<u>47</u>
	<u>\$ 119</u>

The movements of the allowance for doubtful accounts receivable had not changed in 2017.

13. INVENTORIES

	December 31	
	2018	2017
Merchandise	\$ 1,955	\$ 12,850
Finished goods	10,069,409	3,111,636
Work-in-process and semi-finished goods	343,579	302,590
Raw materials and supplies	<u>110,000</u>	<u>66,758</u>
	<u>\$ 10,524,943</u>	<u>\$ 3,493,834</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was NT\$58,586,021 thousand and NT\$58,053,437 thousand, respectively.

The cost of goods sold for the year ended December 31, 2017 included inventory write-downs of NT\$771,830 thousand.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	\$ 143,142,073	\$ 121,688,860
Investments in associates	<u>-</u>	<u>539,922</u>
	<u>\$ 143,142,073</u>	<u>\$ 122,228,782</u>

a. Investments in subsidiaries

	December 31			
	2018		2017	
	Amount	% of ownership (Note 1)	Amount	% of ownership (Note 1)
<u>Unlisted shares</u>				
Gigamag Co., Ltd.	\$ 26,390,730	100%	\$ 22,515,552	100%
Nanomag International Co., Ltd.	114,420,555	100%	99,173,308	100%
Ke Yue Co., Ltd. (Note 2)	1,512,259	100%	-	-
Yi Sheng Co., Ltd. (Note 2)	409,183	100%	-	-
Yi De Co., Ltd. (Note 2)	<u>409,346</u>	100%	<u>-</u>	-
	<u>\$ 143,142,073</u>		<u>\$ 121,688,860</u>	

Note 1: It is the proportion of ownership and voting rights of the subsidiaries as of the balance sheet date.

Note 2: Catcher Technology Co., Ltd. incorporated its 100% owned subsidiaries Ke Yue Co., Ltd., Yi Sheng Co., Ltd., and Yi De Co., Ltd. in March 2018 in Taiwan.

The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 was based on the subsidiaries' financial statements which have been audited for the same years.

b. Investments in associates

	December 31	
	2018	2017
Investments in associates		
Associates that are not individually material	\$ <u>-</u>	\$ <u>539,922</u>

Aggregate information of associates that are not individually material was as follows:

	December 31	
	2018	2017
The Company's share of:		
Net profit	\$ 18,546	\$ 45,758
Other comprehensive income (loss)	<u>3,134</u>	<u>(12,418)</u>
Total comprehensive income for the year	<u>\$ 21,680</u>	<u>\$ 33,340</u>

In 2017, the Company held 7.3% of interests in Epileds Technology Inc., and accounted for the investment as an associate. In March 2018, the Company sold all of its interest in Epileds Technology Inc. to a third party for proceeds of NT\$177,201 thousand. As a result, the Company lost its seat in the board of directors and ceased to have significant influence on the investee. The gain on the transaction recognized in profit or loss was calculated as follows:

Proceeds of disposal	\$	177,201
Plus: Reversing capital surplus		2,815
Less: Carrying amount of investment on the date of loss of significant influence		151,258
Less: Share of other comprehensive income of the associate		<u>30</u>
Gain recognized	\$	<u>28,728</u>

In 2018 and 2017, the Company disposed of shares of Sinher Technology Co., Ltd. Capital surplus as of December 31, 2018 and 2017 decreased by NT\$2,812 thousand and NT\$367 thousand, respectively, and the recognized gain on the disposal of investments for the years then ended was NT\$8,489 thousand and NT\$2,232 thousand, respectively.

The Company invested in 9.998% equity interest of Sinher Technology Co., Ltd.; the investment was originally accounted for using the equity method in 2017. The term of the director appointed by the Company expired in June 2018; thus, the Company was not able to exercise significant influence. The Company reclassified the remaining equity interest at fair value of NT\$416,012 thousand as financial assets at fair value through profit or loss. The gain on the transaction recognized in profit or loss was calculated as follows:

The remaining investment at fair value	\$	416,012
Plus: Reversing capital surplus		27,889
Less: Carrying amount of investment on the date of loss of significant influence		352,409
Less: Share of other comprehensive income of the associate		<u>1,430</u>
Gain recognized	\$	<u>90,062</u>

The share of net income and other comprehensive income from associates under equity method was accounted for based on the audited financial statements.

15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Miscellaneous Equipment	Construction in Progress and Equipment to be Inspected	Total
<u>Cost</u>								
Balance at January 1, 2017	\$ 2,179,324	\$ 1,112,233	\$ 5,124,611	\$ 22,022	\$ 29,654	\$ 551,377	\$ 1,181,152	\$ 10,200,373
Additions	-	19,503	23,408	3,885	9,726	43,729	384,790	485,041
Disposals	-	(238)	(249,785)	-	(2,218)	(77,182)	-	(329,423)
Reclassification	-	1,531,355	348,838	6,599	5,636	157,725	(1,544,116)	506,037
Balance at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 2,662,853</u>	<u>\$ 5,247,072</u>	<u>\$ 32,506</u>	<u>\$ 42,798</u>	<u>\$ 675,649</u>	<u>\$ 21,826</u>	<u>\$ 10,862,028</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2017	\$ -	\$ 285,110	\$ 3,438,287	\$ 13,246	\$ 26,152	\$ 447,607	\$ -	\$ 4,210,402
Depreciation	-	61,888	638,548	3,969	3,764	61,134	-	769,303
Disposals	-	(71)	(249,524)	-	(2,218)	(76,747)	-	(328,560)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 346,927</u>	<u>\$ 3,827,311</u>	<u>\$ 17,215</u>	<u>\$ 27,698</u>	<u>\$ 431,994</u>	<u>\$ -</u>	<u>\$ 4,651,145</u>
Carrying amounts at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 2,315,926</u>	<u>\$ 1,419,761</u>	<u>\$ 15,291</u>	<u>\$ 15,100</u>	<u>\$ 243,655</u>	<u>\$ 21,826</u>	<u>\$ 6,210,883</u>
<u>Cost</u>								
Balance at January 1, 2018	\$ 2,179,324	\$ 2,662,853	\$ 5,247,072	\$ 32,506	\$ 42,798	\$ 675,649	\$ 21,826	\$ 10,862,028
Additions	-	4,261	27,367	1,495	4,056	44,503	300,391	382,073
Disposals	-	(203)	(16,324)	-	(1,031)	(44,788)	-	(62,346)
Reclassification	-	1,643	1,094,664	-	-	31,815	-	1,128,122
Balance at December 31, 2018	<u>\$ 2,179,324</u>	<u>\$ 2,668,554</u>	<u>\$ 6,352,779</u>	<u>\$ 34,001</u>	<u>\$ 45,823</u>	<u>\$ 707,179</u>	<u>\$ 322,217</u>	<u>\$ 12,309,877</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2018	\$ -	\$ 346,927	\$ 3,827,311	\$ 17,215	\$ 27,698	\$ 431,994	\$ -	\$ 4,651,145
Depreciation	-	70,174	654,559	4,171	4,782	88,499	-	822,185
Disposals	-	(5)	(14,418)	-	(1,032)	(44,204)	-	(59,659)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 417,096</u>	<u>\$ 4,467,452</u>	<u>\$ 21,386</u>	<u>\$ 31,448</u>	<u>\$ 476,289</u>	<u>\$ -</u>	<u>\$ 5,413,671</u>
Carrying amounts at December 31, 2018	<u>\$ 2,179,324</u>	<u>\$ 2,251,458</u>	<u>\$ 1,885,327</u>	<u>\$ 12,615</u>	<u>\$ 14,375</u>	<u>\$ 230,890</u>	<u>\$ 322,217</u>	<u>\$ 6,896,206</u>

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

Buildings	
Main buildings	20 - 50 years
Mechanical and electrical power equipment	5 years
Engineering systems	2 - 5 years
Machinery and equipment	2 - 10 years
Transportation equipment	5 years
Furniture and fixtures	2 - 5 years
Miscellaneous equipment	2 - 15 years

16. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 203,363	\$ 157,388	\$ 360,751
Additions	<u>-</u>	<u>800</u>	<u>800</u>
Balance at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 158,188</u>	<u>\$ 361,551</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2017	\$ -	\$ 115,778	\$ 115,778
Depreciation	<u>-</u>	<u>5,881</u>	<u>5,881</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 121,659</u>	<u>\$ 121,659</u>
Carrying amounts at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 36,529</u>	<u>\$ 239,892</u>

<u>Cost</u>			
Balance at January 1, 2018	\$ 203,363	\$ 158,188	\$ 361,551
Additions	<u>-</u>	<u>297</u>	<u>297</u>
Balance at December 31, 2018	<u>\$ 203,363</u>	<u>\$ 158,485</u>	<u>\$ 361,848</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2018	\$ -	\$ 121,659	\$ 121,659
Depreciation	<u>-</u>	<u>6,028</u>	<u>6,028</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 127,687</u>	<u>\$ 127,687</u>
Carrying amounts at December 31, 2018	<u>\$ 203,363</u>	<u>\$ 30,798</u>	<u>\$ 234,161</u>

The investment properties are depreciated by the straight-line method over their estimated useful lives as follows:

Main buildings	25 - 35 years
Elevators	15 years
Heat radiation systems	5 years

The fair value of the Company's investment properties was measured by independent qualified professional appraisers, and the fair value was measured by using Level 3 inputs.

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Fair value	<u>\$ 601,331</u>	<u>\$ 428,544</u>

All of the Company's investment properties were held under freehold interests.

17. OTHER INTANGIBLE ASSETS

	Computer Software
<u>Cost</u>	
Balance at January 1, 2017	\$ 45,947
Additions	<u>3,206</u>
Balance at December 31, 2017	<u>\$ 49,153</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2017	\$ 43,906
Amortization expense	<u>2,259</u>
Balance at December 31, 2017	<u>\$ 46,165</u>
Carrying amounts at December 31, 2017	<u>\$ 2,988</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 49,153
Additions	<u>54,676</u>
Balance at December 31, 2018	<u>\$ 103,829</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2018	\$ 46,165
Amortization expense	<u>4,253</u>
Balance at December 31, 2018	<u>\$ 50,418</u>
Carrying amounts at December 31, 2018	<u>\$ 53,411</u>

Computer software are amortized on a straight-line basis over 2-5 years estimated useful lives.

18. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	2018	2017
Current assets	\$ 1,291	\$ 1,291
Non-current assets	<u>360</u>	<u>1,442</u>
	<u>\$ 1,651</u>	<u>\$ 2,733</u>

In April 2000, the Company obtained the rights to use the land on which its buildings are situated under an agreement with Taiwan Sugar Corporation which will expire in 2050.

19. OTHER ASSETS

	December 31	
	2018	2017
<u>Current</u>		
Prepayments to suppliers	\$ -	\$ 1,073,329
Office supplies	49,330	24,028
Prepaid expenses	7,334	6,822
Others	<u>4,298</u>	<u>1,686</u>
	<u>\$ 60,962</u>	<u>\$ 1,105,865</u>
<u>Non-current</u>		
Prepaid equipment	\$ 77,242	\$ 33,006
Refundable deposits	-	975
Others	<u>2,032</u>	<u>1,606</u>
	<u>\$ 79,274</u>	<u>\$ 35,587</u>

20. BORROWINGS

Short-term borrowings

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Bank unsecured loans	\$ 64,738,000	\$ 47,264,000
Bank letter of credit loans	<u>-</u>	<u>761,172</u>
	<u>\$ 64,738,000</u>	<u>\$ 48,025,172</u>

The range of interest rates of short-term borrowings was as follows:

	December 31	
	2018	2017
Bank unsecured loans	0.58%-0.865%	0.58%-0.80%
Bank letter of credit loans	-	0.48%

21. NOTES PAYABLE AND ACCOUNTS PAYABLE

Both notes payable and accounts payable resulted from operating activities.

The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

22. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payables for salaries and bonuses	\$ 355,230	\$ 309,012
Payables for employees' compensation	3,647,543	3,527,044
Payables for purchases of equipment	98,276	130,509
Payables for annual leave	57,698	53,169
Payables for labor and health insurance	38,266	31,734
Payables for pension	21,577	18,326
Remuneration of directors	16,892	16,892
Payables for shipping expenses	19,336	11,772
Payables for interest	12,000	11,674
Payables for utilities	21,745	16,636
Others	<u>757,517</u>	<u>570,912</u>
	<u>\$ 5,046,080</u>	<u>\$ 4,697,680</u>
Other liabilities		
Receipts under custody	\$ 504,858	\$ 1,188,331
Advance sales receipts	2,832	241,959
Others	<u>692</u>	<u>-</u>
	<u>\$ 508,382</u>	<u>\$ 1,430,290</u>
<u>Non-current</u>		
Other liabilities		
Guarantee deposits received	\$ 11,010	\$ 20,768
Others	<u>100</u>	<u>90</u>
	<u>\$ 11,110</u>	<u>\$ 20,858</u>

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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.

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the ROC government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in

one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	\$ 74,967	\$ 70,851
Fair value of plan assets	<u>(68,415)</u>	<u>(64,300)</u>
Net defined benefit liabilities	<u><u>\$ 6,552</u></u>	<u><u>\$ 6,551</u></u>

Movements in net defined benefit liabilities were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2017	<u>\$ 70,098</u>	<u>\$ (63,549)</u>	<u>\$ 6,549</u>
Service cost			
Current service cost	1,850	-	1,850
Net interest expense (income)	<u>970</u>	<u>(893)</u>	<u>77</u>
Recognized in profit or loss	<u>2,820</u>	<u>(893)</u>	<u>1,927</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	230	230
Actuarial loss - changes in demographic assumptions	171	-	171
Actuarial loss - changes in financial assumptions	855	-	855
Actuarial gain - experience adjustments	<u>(1,256)</u>	<u>-</u>	<u>(1,256)</u>
Recognized in other comprehensive income	<u>(230)</u>	<u>230</u>	<u>-</u>
Contributions from the employer	-	(1,925)	(1,925)
Benefits paid	<u>(1,837)</u>	<u>1,837</u>	<u>-</u>
Balance at December 31, 2017	70,851	(64,300)	6,551
Service cost			
Current service cost	1,894	-	1,894
Net interest expense (income)	<u>885</u>	<u>(814)</u>	<u>71</u>
Recognized in profit or loss	<u>2,779</u>	<u>(814)</u>	<u>1,965</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,797)	(1,797)
Actuarial loss - changes in demographic assumptions	209	-	209
Actuarial loss - changes in financial assumptions	1,046	-	1,046
Actuarial loss - experience adjustments	<u>542</u>	<u>-</u>	<u>542</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Recognized in other comprehensive income	\$ 1,797	\$ (1,797)	\$ -
Contributions from the employer	-	(1,964)	(1,964)
Benefits paid	(460)	460	-
Balance at December 31, 2018	<u>\$ 74,967</u>	<u>\$ (68,415)</u>	<u>\$ 6,552</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2018	2017
Operating costs	\$ 1,306	\$ 1,289
Selling and marketing expenses	85	83
General and administrative expenses	370	354
Research and development expenses	<u>204</u>	<u>201</u>
	<u>\$ 1,965</u>	<u>\$ 1,927</u>

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

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salaries 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	1.125%	1.25%
Expected rate of salary increase	2%	2%

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

	December 31	
	2018	2017
Discount rate		
0.25% increase	\$ <u>(2,127)</u>	\$ <u>(1,737)</u>
0.25% decrease	\$ <u>2,201</u>	\$ <u>1,780</u>
Expected rate of salary increase		
0.25% increase	\$ <u>2,104</u>	\$ <u>1,727</u>
0.25% decrease	\$ <u>(2,044)</u>	\$ <u>(1,675)</u>

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	\$ <u>1,965</u>	\$ <u>1,700</u>
Average duration of the defined benefit obligation	12 years	13 years

24. EQUITY

a. Share capital

1) Ordinary shares

	December 31	
	2018	2017
Number of shares authorized (in thousands)	<u>1,000,000</u>	<u>1,000,000</u>
Shares authorized	\$ <u>10,000,000</u>	\$ <u>10,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>770,391</u>	<u>770,391</u>
Shares issued	\$ <u>7,703,911</u>	\$ <u>7,703,911</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

A total of 23,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

2) Global depositary receipts

In June 2011, the Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs). Each GDR was issued at US\$32.84 and represented 5 ordinary shares. The Company issued 6,700 thousand units of GDRs, representing 33,500 thousand ordinary shares. The registration process has been completed.

As of December 31, 2018 and 2017, there were 574 thousand units and 497 thousand units of outstanding GDRs, equivalent to 2,870 thousand ordinary shares and 2,485 thousand ordinary

shares, respectively.

b. Capital surplus

	December 31	
	2018	2017
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 7,460,295	\$ 7,460,295
Arising from conversion of bonds	12,775,052	12,775,052
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	1,422	1,422
Donations from shareholders	1,971	1,666
<u>May be used to offset a deficit only (2)</u>		
Share of changes in capital surplus of associates	-	32,521
	<u>\$ 20,238,740</u>	<u>\$ 20,270,956</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, when the Company makes profit in a fiscal year, the profit should be appropriated as follows:

- 1) Offset against deficit, if any;
- 2) Appropriate 10% of the remainder as legal reserve, until the accumulated amount equals the Company's paid-in capital;
- 3) Reverse a special reserve in accordance with the laws or operating needs; and
- 4) Use by the Company's board of directors any remaining profit together with any undistributed retained earnings as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting.

The Company is still in the growing stage and is continuing to expand its operating scale with due consideration of the viability of the economic situation. The board of directors shall focus on growing dividends stably when proposing the appropriation of annual earnings. However, cash dividends shall not be less than 10% of the total dividends, and cash dividends shall not be distributed if the dividends per share is less than NT\$0.5.

For the policies on the distribution of the compensation of employees and remuneration of directors after the amendment, refer to "Compensation of employees and remuneration of directors" in Note 26(g).

The legal reserve may be used to offset deficits. 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.

Per Order No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should make provisions to or reversals from a special reserve.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 11, 2018 and June 19, 2017, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	\$ 2,184,325	\$ 2,201,979		
Special reserve	3,719,526	109,627		
Cash dividends	9,244,692	7,703,911	\$ 12	\$ 10

The appropriations of earnings for 2018 was proposed by the Company's board of directors on March 6, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 2,797,219	
Special reserve	1,203,262	
Cash dividends	9,244,693	\$ 12

The appropriations of earnings for 2018 are subject to resolution in the shareholders' meeting to be held on June 12, 2019.

d. Other equity items

Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2018	2017
Balance as of January 1	\$ (6,207,055)	\$ (2,487,529)
Exchange differences arising on translating foreign operations	(1,197,870)	(3,707,100)
Share of exchange difference of associates accounted for using the equity method	1,477	(12,429)
Share of exchange difference upon disposal of associates accounted for using the equity method	<u>1,652</u>	<u>3</u>
Balance as of December 31	<u>\$ (7,401,796)</u>	<u>\$ (6,207,055)</u>

25. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from the sale of metal casing	\$ 66,927,859	\$ 65,588,235
Rental income	<u>23,192</u>	<u>18,912</u>
	<u>\$ 66,951,051</u>	<u>\$ 65,607,147</u>

a. Contract information

Revenue from sale of metal casing

The Company sells metal casing to the customers. All goods are sold at respective fixed amounts as agreed in the contracts.

b. Contract balances

	December 31, 2018
Accounts receivable (Note 12)	<u>\$ 11,121,045</u>
Contract liabilities - current	
Sale of goods	<u>\$ 20,169</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Company's performance and the respective customer's payment. Revenue of the reporting period recognized from the beginning contract liabilities and from the performance obligations which were satisfied in the previous periods is as follows:

	For the Year Ended December 31, 2018
From the beginning contract liabilities	
Sale of goods	<u>\$ 219,443</u>

26. NET PROFIT

a. Other income

	For the Year Ended December 31	
	2018	2017
Government grants	\$ 2,405	\$ 3,259
Recycling income	2,736	1,524
Others	<u>4,072</u>	<u>3,432</u>
	<u>\$ 9,213</u>	<u>\$ 8,215</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Gains on disposals of investments	\$ 127,279	\$ 2,232
Fair value changes of financial assets mandatorily classified as at FVTPL	(29,039)	-
Others	<u>(510)</u>	<u>(284)</u>
	<u>\$ 97,730</u>	<u>\$ 1,948</u>

c. Interest expense

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	<u>\$ 381,291</u>	<u>\$ 284,716</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	\$ 822,185	\$ 769,303
Investment properties	6,028	5,881
Intangible assets and other assets	<u>7,195</u>	<u>4,953</u>
	<u>\$ 835,408</u>	<u>\$ 780,137</u>
An analysis of depreciation by function		
Operating costs	\$ 785,892	\$ 748,124
Operating expenses	<u>42,321</u>	<u>27,060</u>
	<u>\$ 828,213</u>	<u>\$ 775,184</u>
An analysis of amortization by function		
Operating costs	\$ 4,878	\$ 2,336
Operating expenses	<u>2,317</u>	<u>2,617</u>
	<u>\$ 7,195</u>	<u>\$ 4,953</u>

e. Operating expenses directly related to investment properties

	For the Year Ended December 31	
	2018	2017
Direct operating expenses from investment properties generating rental income	<u>\$ 7,289</u>	<u>\$ 7,749</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits		
Salaries	\$ 2,273,909	\$ 1,980,314
Labor and health insurance	201,978	174,671
Remuneration of directors	17,850	17,830
Others	149,776	147,532
	<u>2,643,513</u>	<u>2,320,347</u>
Post-employment benefits		
Defined contribution plans	81,241	72,475
Defined benefit plans (Note 23)	1,965	1,927
	<u>83,206</u>	<u>74,402</u>
	<u>\$ 2,726,719</u>	<u>\$ 2,394,749</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 2,222,643	\$ 1,884,483
Operating expenses	504,076	510,266
	<u>\$ 2,726,719</u>	<u>\$ 2,394,749</u>

g. Compensation of employees and remuneration of directors

The Company accrued the compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 6, 2019 and March 5, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Compensation of employees	5.63%	8.74%
Remuneration of directors	based on previous experience	based on previous experience

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Shares	Cash	Shares
Compensation of employees	\$ 1,844,383	\$ -	\$ 2,421,231	\$ -
Remuneration of directors	16,892	-	16,892	-

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the standalone financial statements for the years ended December 31, 2017 and 2016.

Information on the compensation of employees and remuneration of 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.

h. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 5,327,632	\$ 603,718
Foreign exchange losses	<u>(2,584,733)</u>	<u>(4,118,257)</u>
	<u>\$ 2,742,899</u>	<u>\$ (3,514,539)</u>

27. INCOME TAXES

a. Income tax expense (benefit)

The major components of income tax expense (benefit) recognized in profit or loss were as follows:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 2,190,711	\$ 2,286,582
Income tax on unappropriated earnings	669,472	1,200,427
Adjustment for prior years	<u>99,792</u>	<u>61,994</u>
	<u>2,959,975</u>	<u>3,549,003</u>
Deferred tax		
In respect of the current year	30,262	(142,285)
Adjustments to deferred tax attributable to changes in tax rates	<u>(83,874)</u>	<u>-</u>
	<u>(53,612)</u>	<u>(142,285)</u>
Income tax expense recognized in profit or loss	<u>\$ 2,906,363</u>	<u>\$ 3,406,718</u>

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

	For the Year Ended December 31	
	2018	2017
Profit before income tax	\$ <u>30,878,551</u>	\$ <u>25,249,968</u>
Income tax expense calculated at the statutory rate	\$ 6,175,710	\$ 4,292,494
Unrecognized temporary differences		
Repatriation of subsidiaries' earnings	-	1,581,679
Unrealized gains on investments	(3,843,373)	(3,660,476)
Nondeductible expenses in determining taxable income	1,278	309
Tax-exempt income	(25,295)	(379)
Additional income tax on unappropriated earnings	669,472	1,200,427
5-year tax - exempt income	(87,361)	(69,330)
Adjustments for prior years' tax	99,792	61,994
Effect of tax rate changes	(83,874)	-
Other	<u>14</u>	<u>-</u>
Income tax expense recognized in profit or loss	\$ <u>2,906,363</u>	\$ <u>3,406,718</u>

In 2017, the applicable corporate income tax rate used by the Corporation was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings has been reduced from 10% to 5%.

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

b. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	\$ <u>1,526,952</u>	\$ <u>1,607,882</u>

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Provisions for losses on inventories	\$ 160,863	\$ 19,168	\$ 180,031
Impairment loss on property, plant and equipment	10,510	(7,723)	2,787
Unrealized sales returns	885	18,955	19,840
Defined benefit obligation	1,113	197	1,310
Payables for annual leave	9,039	2,761	11,800
Unrealized gain on disposals of property, plant and equipment	6,808	(6,253)	555
Unrealized intercompany profit	215,811	90,499	306,310
Other payables	11,702	(7,124)	4,578
Financial assets at fair value through profit or loss	-	5,646	5,646
Unrealized foreign exchange losses	<u>100,836</u>	<u>(80,496)</u>	<u>20,340</u>
	<u>\$ 517,567</u>	<u>\$ 35,630</u>	<u>\$ 553,197</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Depreciation differences	\$ 42,282	\$ (17,982)	\$ 24,300
Reserves for land value increment tax	<u>12,597</u>	<u>-</u>	<u>12,597</u>
	<u>\$ 54,879</u>	<u>\$ (17,982)</u>	<u>\$ 36,897</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Provisions for losses on inventories	\$ 29,400	\$ 131,463	\$ 160,863
Impairment loss on property, plant and equipment	28,019	(17,509)	10,510
Unrealized sales returns	1,687	(802)	885
Defined benefit obligation	1,113	-	1,113
Payables for annual leave	6,551	2,488	9,039
Unrealized gain on disposals of property, plant and equipment	13,318	(6,510)	6,808
Unrealized intercompany profit	194,654	21,157	215,811
Other payables	109,821	(98,119)	11,702
Deferred revenue	119,967	(119,967)	-
Unrealized foreign exchange losses	<u>-</u>	<u>100,836</u>	<u>100,836</u>
	<u>\$ 504,530</u>	<u>\$ 13,037</u>	<u>\$ 517,567</u>
<u>Deferred tax liabilities</u>			
Temporary differences			
Depreciation differences	\$ 47,761	\$ (5,479)	\$ 42,282
Unrealized foreign exchange gains	123,769	(123,769)	-
Reserves for land value increment tax	<u>12,597</u>	<u>-</u>	<u>12,597</u>
	<u>\$ 184,127</u>	<u>\$ (129,248)</u>	<u>\$ 54,879</u>

d. Information about tax exemptions

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

Expansion of Construction Project	Tax-exemption Period
Five years tax-exempt expansion project approved under the Official Letter, No. 1020163631, issued by Tainan City Government	From January 1, 2016 to December 31, 2020

e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

The taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized amounted to NT\$143,158,327 thousand and NT\$124,310,697 thousand as of December 31, 2018 and 2017, respectively.

f. Income tax assessments

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

28. EARNINGS PER SHARE

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

Net profit for the year

	For the Year Ended December 31	
	2018	2017
Net profit for the year of the Company	\$ 27,972,188	\$ 21,843,250

Weighted average number of ordinary shares outstanding (in thousand shares)

	For the Year Ended December 31	
	2018	2017
Weighted average number of ordinary shares in computation of basic earnings per share	770,391	770,391
Effect of potentially dilutive ordinary shares:		
Compensation of employees	9,414	8,853
Weighted average number of ordinary shares used in the computation of diluted earnings per share	779,805	779,244

Since 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 earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. OPERATING LEASE ARRANGEMENTS

a. The Company as lessee

The Company entered into an agreement to lease land from Taiwan Sugar Corporation. The lease period is from April 2000 to April 2050. The Company does not have a bargain purchase option to acquire the leased land at the expiration of the lease periods.

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

	December 31	
	2018	2017
Not later than 1 year	\$ 2,257	\$ 7,164
Later than 1 year and not later than 5 years	18,276	28,656
Later than 5 years	<u>107,160</u>	<u>172,785</u>
	<u>\$ 127,693</u>	<u>\$ 208,605</u>

b. The Company as lessor

Operating leases relate to the investment properties owned by the Company with lease terms from July 2016 to February 2023. The lessee does not have a bargain purchase option to acquire the properties at the expiry of the lease period.

The future minimum lease payments of operating leases were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 14,500	\$ 21,214
Later than 1 year and not later than 5 years	<u>23,078</u>	<u>22,635</u>
	<u>\$ 37,578</u>	<u>\$ 43,849</u>

30. CAPITAL MANAGEMENT

The Company requires significant amounts of capital to build and expand its production facilities and equipment. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividends payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

31. FINANCIAL INSTRUMENTS

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

The carrying amounts of financial instruments that are not measured at fair value approximate their fair value recognized in the standalone financial statements; these financial instruments include cash and cash equivalents, financial assets at amortized cost (2018), debt investments with no active market (2017), accounts receivable, other receivables, refundable deposits, short-term loans, accounts payable, other payables, and guarantee deposits received.

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Listed shares and emerging market shares	\$ 341,864	\$ -	\$ -	\$ 341,864
Financial assets at fair value through other comprehensive income				
Investments in equity instruments at financial assets at fair value through other comprehensive income				
Unlisted shares	\$ -	\$ -	\$ 64,980	\$ 64,980

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities	\$ -	\$ -	\$ 58,500	\$ 58,500

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

For the year ended December 31, 2018

	Financial assets at fair value through other comprehensive income
Balance at January 1, 2018	\$ 58,500
Addition	15,000
Recognized in other comprehensive income (included in unrealized gain / loss on financial assets at financial assets at fair value through other comprehensive income)	(8,520)
Balance at December 31, 2018	\$ 64,980

For the year ended December 31, 2017

	Available-for-sale Financial Assets Equity Instruments
Balance at January 1, 2017	\$ -
Purchases	<u>58,500</u>
Balance at December 31, 2017	<u>\$ 58,500</u>

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

The fair values of unlisted equity securities in the ROC were estimated based on recent net equity.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at fair value through profit or loss		
Mandatorily classified as at fair value through profit or loss	\$ 341,864	\$ -
Loans and receivables (i)	-	85,205,001
Available-for-sale financial assets	-	58,500
Financial asset at amortized cost (ii)	83,614,022	-
Financial assets at fair value through other comprehensive income		
Equity instruments	64,980	-

Financial liabilities

Financial liabilities measured at amortized cost (iii)	92,248,379	82,950,519
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(i) The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and refundable deposits.

(ii) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, notes receivable, accounts receivable, other receivables and refundable deposits.

(iii) The balance includes financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables, and guarantee deposits received.

d. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, accounts receivable, accounts payable, and borrowings. The Company's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), interest rates (see (2) below) and other prices (see (3) below).

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Company was mainly exposed to the United States dollars (USD) and Japanese Yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD, the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign-currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when the NTD weakens by 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on profit before income tax and the balances below would be negative.

	USD Impact			
	For the Year Ended December 31			
	2018		2017	
Profit or loss	\$	640,624	\$	549,616 i.
	JPY Impact			
	For the Year Ended December 31			
	2018		2017	
Profit or loss	\$	1,310	\$	(7,815) ii.

i. This was mainly attributable to the exposure on outstanding USD-denominated cash and cash equivalents, financial assets at amortized cost (2018), debt investments with no active market (2017), and receivables and payables which were not hedged at the end of the reporting period.

ii. This was mainly attributable to the exposure on outstanding JPY-denominated cash and cash equivalents which was not hedged at the end of the reporting period.

The Company's sensitivity to the USD increased during the current period mainly due to the increase in net assets denominated in USD. In management's opinion, the sensitivity analysis was unrepresentative of inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period. In addition, USD-denominated sales would increase or decrease with customers' orders and the amounts of investments.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at floating interest rates. The risk is managed by the Company by maintaining an appropriate mix of fixed and floating rate borrowings.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 71,786,218	\$ 62,106,976
Cash flow interest rate risk		
Financial assets	170,210	109,389
Financial liabilities	64,738,000	48,025,172

Sensitivity analysis

The sensitivity analysis below was based on the Company's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Company's profit before tax for the years ended December 31, 2018 and 2017 would have decreased/increased by NT\$64,568 thousand and NT\$47,916 thousand, respectively; the change would have been mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings of cash flow.

The Company's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate debt instruments.

c) Other price risk

The Company was exposed to equity price risk through its investments in equity securities. The Company manages this exposure by maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 1% higher/lower, pre-tax profit for the year ended December 31, 2018 would have increased/decreased by NT\$3,419 thousand, as a result of the changes in fair value of financial assets at fair value through profit or loss.

2) Credit risk

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

The counterparties to the foregoing financial instruments are reputable business organizations. Management does not expect the Company's exposure to default by those parties to be material; ongoing credit evaluation is also performed on the financial condition of customers with whom the Company has accounts receivable.

Information on credit risk concentration as of December 31, 2018 and 2017 was as follows:

	December 31			
	2018		2017	
	Amount	%	Amount	%
Customer A	\$ 8,344,938	75	\$17,482,359	82
Customer B	1,109,378	10	989,356	5
Customer C	623,128	6	59	-
Customer D	33,801	-	2,044,641	10

3) Liquidity risk

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

The Company's operating funds and bank loan credit line are deemed sufficient to meet cash flow demands; therefore, liquidity risk is not considered to be significant.

a) Liquidity and interest rate risk table for non-derivative financial liabilities

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

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

December 31, 2018

	Less than 3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 26,122,532	\$ 418,006	\$ 11,010
Variable interest rate liabilities	<u>43,188,826</u>	<u>22,633,431</u>	<u>-</u>
	<u>\$ 69,311,358</u>	<u>\$ 23,051,437</u>	<u>\$ 11,010</u>

December 31, 2017

	Less than 3 Months	3 Months to 1 Year	1-5 Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 34,724,582	\$ 179,997	\$ 20,768
Variable interest rate liabilities	<u>33,596,810</u>	<u>14,519,213</u>	<u>-</u>
	<u>\$ 68,321,392</u>	<u>\$ 14,699,210</u>	<u>\$ 20,768</u>

The amounts included for variable interest rate instruments for both non-derivative financial assets and liabilities would change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	<u>December 31</u>	
	2018	2017
Unsecured bank loan facilities		
Amount used	\$ 64,984,596	\$ 48,649,835
Amount unused	<u>15,991,329</u>	<u>6,186,165</u>
	<u>\$ 80,975,925</u>	<u>\$ 54,836,000</u>

32. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and other related parties are disclosed below.

a. The names of the related parties and their relationships with the Company

Related Party Name	Relationship
Meecca Technology (Suzhou Industrial Park) Co., Ltd. ("Meecca Suzhou")	Subsidiaries (100% of Indirect ownership)
Topo Technology (Taizhou) Co., Ltd. ("Topo Taizhou")	Subsidiaries (100% of Indirect ownership)
Topo Technology (Suzhou) Co., Ltd. ("Topo Suzhou")	Subsidiaries (100% of Indirect ownership)
Meecca Technology (Taizhou) Co., Ltd. ("Meecca Taizhou")	Subsidiaries (100% of Indirect ownership)
Catcher Technology (Suqian) Co., Ltd. ("Catcher Suqian")	Subsidiaries (100% of Indirect ownership)
Vito Technology (Suqian) Co., Ltd. ("Vito Suqian")	Subsidiaries (100% of Indirect ownership)
Arcadia Technology (Suqian) Co., Ltd. ("Arcadia Suqian")	Subsidiaries (100% of Indirect ownership)
Envio Technology (Suqian) Co., Ltd. ("Envio Suqian")	Subsidiaries (100% of Indirect ownership)

(Continued)

Related Party Name	Relationship
Aquila Technology (Suqian) Co., Ltd. ("Aquila Suqian")	Subsidiaries (75% of Indirect ownership)
Ke Yue Co., Ltd.	Subsidiaries (100% of Direct ownership)
Yi Sheng Co., Ltd.	Subsidiaries (100% of Direct ownership)
Yi De Co., Ltd.	Subsidiaries (100% of Direct ownership)
Yue-Kang Health Control Technology Inc.	Associates (39.69% of Direct ownership)
Epileds Technology Inc. (1)	Associates (7.32% of ownership on December 31, 2017) (Concluded)

Epileds Technology Inc. was the Company's associates before March 31, 2018. The amount of transactions and accounts' balance between the Company and Epileds Technology Inc. are disclosed until date of March 31, 2018.

b. Sales of goods

Line Item	Related Party Category	For the Year Ended December 31	
		2018	2017
Revenue from sale of goods	Subsidiaries	\$ <u>5,622</u>	\$ <u>64,392</u>
Deduction of Costs	Subsidiaries	\$ <u>146,144</u>	\$ <u>22,006</u>

The prices of goods sold to related parties do not have similar transactions to which they can be compared. The credit terms are 90 days after current month's closing for related parties and it was not significantly different from those with third parties.

c. Purchases of goods

Related Party Category / Name	For the Year Ended December 31	
	2018	2017
Subsidiaries		
Topo Taizhou	\$ 19,724,213	\$ 16,754,128
Vito Suqian	15,542,612	14,115,804
Arcadia Suqian	16,378,077	13,844,467
Catcher Suqian	3,168,348	5,951,887
Meeca Suzhou	14,263	36,567
Meeca Taizhou	5,976,675	5,062,924
Envio Suqian	51,159	-
Others	<u>5,481</u>	<u>6,678</u>
	<u>\$ 60,860,828</u>	<u>\$ 55,772,455</u>

The prices of goods purchased from related parties do not have similar transactions to which they can be compared. The payment terms are 30 to 120 days after current month's closing for related parties and it was not significantly different from those with third parties.

d. Office supplies

Related Party Category	For the Year Ended December 31	
	2018	2017
Subsidiaries	\$ 27,095	\$ 8,936
Associates	<u>97</u>	<u>352</u>
	<u>\$ 27,192</u>	<u>\$ 9,288</u>

The payment term is 30 to 120 days after current month's closing to related parties.

e. Receivables from related parties

Line Item	Related Party Category / Name	December 31	
		2018	2017
Accounts receivables	Subsidiaries	<u>\$ -</u>	<u>\$ 31,840</u>
Other receivables	Subsidiaries		
	Topo Taizhou	\$ 18,514	\$ 794,397
	Arcadia Suqian	11,511	433,373
	Vito Suqian	1,695	261,557
	Envio Suqian	56,080	-
	Catcher Suqian	16,694	-
	Meecca Taizhou	1,111	18,319
	Associates	<u>31</u>	<u>31</u>
		<u>\$ 105,636</u>	<u>\$ 1,507,677</u>

The outstanding accounts receivables from related parties are unsecured. No impairment loss was recognized for receivables from related parties for the year ended December 31, 2018 and 2017.

f. Payables to related parties

Line Item	Related Party Category / Name	December 31	
		2018	2017
Accounts payable	Subsidiaries		
	Topo Taizhou	\$ 6,953,094	\$ 8,773,771
	Vito Suqian	6,416,251	7,469,051
	Arcadia Suqian	5,652,094	6,631,927
	Meecca Taizhou	1,293,417	4,693,784
	Others	<u>698,482</u>	<u>2,251,524</u>
		<u>\$ 21,013,338</u>	<u>\$ 29,820,057</u>
Other payables	Subsidiaries	\$ 11,540	\$ 23,694
	Associates	<u>-</u>	<u>179</u>
		<u>\$ 11,540</u>	<u>\$ 23,873</u>

The outstanding accounts payable from related parties are unsecured.

g. Acquisition of property, plant and equipment

Related Party Category	Purchase Price	
	2018	2017
Subsidiaries	\$ 2,826	\$ 31,115

The purchase price is determined by the bargaining price. The payment term is 90 days after acceptance check.

h. Disposal of property, plant and equipment – 2018

Related Party Category	Proceeds	Gain on disposal
Subsidiaries	\$ 791	\$ 791

The proceeds price is determined by the bargaining price. The accumulated unrealized gain on disposal for the year ended December 31, 2018 and 2017 was NT\$2,775 thousand and NT\$40,049 thousand, respectively and deducted from Investments accounted for using the equity method.

i. Purchase of property, plant and equipment service

Related Party Category / Name	December 31	
	2018	2017
Subsidiaries		
Vito Suqian	\$ 2,791,104	\$ 471,191
Envio Suqian	751,033	-
Catcher Suqian	314,479	1,125,901
Meecca Taizhou	8,156	852,947
Topo Taizhou	-	962,524
Arcadia Suqian	-	811,409
	<u>\$ 3,864,772</u>	<u>\$ 4,223,972</u>

The credit terms are 90 days after current month's closing for related parties. The accumulated unrealized gain for the year ended December 31, 2018 and 2017 was NT\$1,531,549 thousand and NT\$1,269,477 thousand, respectively and deducted from Investments accounted for using the equity method.

j. Loans from related parties

Related Party Category / Name	December 31, 2018
Ke Yue Co., Ltd.	\$ 627,930
Yi Sheng Co., Ltd.	165,480
Yi De Co., Ltd.	<u>165,420</u>
	<u>\$ 958,830</u>

Interest expense

Related Party Category / Name	For the Year Ended December 31, 2018	
Ke Yue Co., Ltd.	\$	4,748
Yi Sheng Co., Ltd.		1,115
Yi De Co., Ltd.		<u>1,115</u>
	\$	<u>6,978</u>

The interest rate to related parties is comparable to the market.

k. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 228,294	\$ 64,081
Post-employment benefits	<u>27,245</u>	<u>21,241</u>
	<u>\$ 255,539</u>	<u>\$ 85,322</u>

The remuneration of directors and key executives are determined by the remuneration committee with regard to the performance of individuals, the performance of the Company, and future risk.

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2018 and 2017 were as follows:

- a. As of December 31, 2018 and 2017, the unused letters of credit of the Company for purchasing raw materials and equipment were NT\$236,596 thousand and NT\$620,381 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31	
	2018	2017
Acquisition of property, plant and equipment	\$ <u>772,101</u>	\$ <u>326,004</u>
Acquisition of inventories	\$ <u>29,247</u>	\$ <u>114,218</u>

34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is an aggregation of foreign currencies other than the functional currencies of the group entities and disclosure of the exchange rates between the foreign currencies and the respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

(In Thousands of New Taiwan Dollars and Foreign Currencies)

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,792,611	30.665	\$ 85,635,405
JPY	489,582	0.2762	135,223

Non-monetary items

Investment accounted for using equity method			
USD (1)	4,654,611	30.715	142,966,376

Financial liabilities

Monetary items			
USD	701,218	30.765	21,572,965
JPY	14,985	0.2802	4,199

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,867,282	29.71	\$ 85,186,933

Non-monetary items

Investment accounted for using equity method			
USD (1)	4,148,238	29.76	123,451,573

Financial liabilities

Monetary items			
USD	1,013,934	29.81	30,225,368
JPY	2,935,773	0.2662	781,503

- 1) The difference between the amount and investment accounted for using equity method is unrealized gross profit.

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2018	Net Foreign Exchange Gain (Loss)	2017	Net Foreign Exchange Gain (Loss)
	Exchange Rate		Exchange Rate	
USD	30.149 (USD:NTD)	\$ 2,558,705	30.432 (USD:NTD)	\$ (3,612,423)
RMB	4.5599 (RMB:NTD)	252	4.5053 (RMB:NTD)	14,157
JPY	0.2730 (JPY:NTD)	<u>183,942</u>	0.2713 (JPY:NTD)	<u>83,727</u>
		<u>\$ 2,742,899</u>		<u>\$ (3,514,539)</u>

35. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (N/A)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 3)
- 5) Acquisitions of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 6) Disposals of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 5)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 9) Trading in derivative instruments (N/A)
- 10) Information on investees (Table 7)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment from the mainland China area (Table 8)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly

through a third party, and their prices, payment terms, and unrealized gains or losses as follows (Tables 1, 5 and 6):

- a) Purchases - the amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
- b) Sales - the amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
- c) Property transactions - the amount of property transactions and the amount of the resultant gains or losses
- d) Endorsements and guarantees - the balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes
- e) Financing - the highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
- f) Other - the transactions with material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services

TABLE 1

CATCHER TECHNOLOGY CO., LTD.

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

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
1	Gigamag Co., Ltd.	Nanomag International Co., Ltd.	Other receivables - related parties	Yes	\$ 1,535,750	<u>\$ -</u>	\$ -	-	For short-term financing	-	Operating capital	-	-	-	\$ 151,219,313	<u>\$ 151,219,313</u>
2	Topo Technology (Suzhou) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	84,062	\$ -	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Envio Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	268,518	268,518	268,518	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Arcadia Co., Ltd. Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	793,917	626,542	626,542	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 895,060</u>										
3	Meeca Technology (Suzhou Industrial Park) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,681,236	\$ 290,895	290,895	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	1,155,596	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	2,649,748	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	3,800,081	156,636	156,636	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 447,531</u>										
4	Catcher Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	3,498,736	\$ 179,012	179,012	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
		Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	2,166,528	1,163,578	1,163,578	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Envio Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	466,920	-	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Meeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	2,635,778	2,014,838	2,014,838	1.5-4.78963	For short-term financing	-	Operating capital	-	-	-	151,219,313	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	8,527,239	8,527,239	8,527,239	1.5-4.78963	For short-term financing	-	Operating capital	-	-	-	151,219,313	
						<u>\$ 11,884,667</u>										
5	Topo Technology (Taizhou) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,289,008	<u>\$ 1,029,319</u>	1,029,319	1.5	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
6	Vito Technology (Suqian) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	467,010	<u>\$ -</u>	-	-	For short-term financing	-	Operating capital	-	-	-	151,219,313	<u>\$ 151,219,313</u>
7	Ke Yue Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	1,972,000	<u>\$ 628,195</u>	627,930 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	604,904	<u>\$ 604,904</u>
8	Yi Sheng Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	300,000	<u>\$ 165,900</u>	165,480 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	163,673	<u>\$ 163,673</u>
9	Yi De Co., Ltd.	Catcher Technology Co., Ltd.	Other receivables - related parties	Yes	300,000	<u>\$ 165,900</u>	165,420 (Note 4)	0.76167	For short-term financing	-	Operating capital	-	-	-	163,739	<u>\$ 163,739</u>

Note 1: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2018 of the Company; the upper limit of the domestic subsidiaries is equivalent to 40% of the net asset value as of December 31, 2018 of the domestic subsidiaries; but the upper limit of those with business transactions is no more than the needed amount for operations.

Note 2: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2018 of the Company; the upper limit of the domestic subsidiaries is equivalent to 40% of the net asset value as of December 31, 2018 of the domestic subsidiaries.

Note 3: The net asset value mentioned in Notes 1 and 2 above is the equity attributable to owners of the Company on the consolidated balance sheets.

Note 4: The financing provided balance overruns, the subsidiaries has sent an improvement plan to the supervisor.

TABLE 2

CATCHER TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Catcher Technology Co., Ltd.	Alpha Information Systems, Inc.	None	Financial assets at fair value through other comprehensive income - non - current	1,500,000	\$ 35,580	10	\$ 35,580	
	CDIB Capital Innovation Accelerator Co., Ltd.	None	Financial assets at fair value through other comprehensive income - non-current	3,000,000	29,400	3.57	29,400	
					<u>\$ 64,980</u>		<u>\$ 64,980</u>	
	Sinher Technology Co., Ltd	None	Financial assets at fair value through profit or loss - current	7,439,917	<u>\$ 341,864</u>	9.998	<u>\$ 341,864</u>	
Nanomag International Co., Ltd.	China Renewable Energy Fund, L.P.	None	Financial assets at fair value through other comprehensive income - non-current	-	<u>\$ 229,255</u>	23.53	<u>\$ 229,255</u>	Note 3

Note 1: Securities in this table are shares, bonds, beneficiary certificates and those derived from the above-mentioned items which are within the scope of IFRS 9 “Financial Instrument: Recognition and Measurement”.

Note 2: Refer to Tables 7 and 8 for information on subsidiaries and associates.

Note 3: Percentage of Ownership is the fund share ratio.

TABLE 3

CATCHER TECHNOLOGY CO., LTD.

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Topo Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	\$ -	1,064,000,000	\$ 4,851,750 (RMB 1,064,000,000)	1,064,000,000	\$ 4,854,509 (RMB 1,064,605,001)	\$ 4,851,750 (RMB 1,064,000,000)	\$ 2,759 (RMB 605,001)	-	\$ -
Catcher Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	245,000,000	1,117,179 (RMB 245,000,000)	245,000,000	1,117,884 (RMB 245,154,619)	1,117,179 (RMB 245,000,000)	705 (RMB 154,619)	-	-
Arcadia Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	312,000,000	1,422,694 (RMB 312,000,000)	312,000,000	1,423,545 (RMB 312,186,648)	1,422,694 (RMB 312,000,000)	851 (RMB 186,648)	-	-
Vito Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	962,000,000	4,386,639 (RMB 962,000,000)	962,000,000	4,390,113 (RMB 962,761,990)	4,386,639 (RMB 962,000,000)	3,474 (RMB 761,990)	-	-
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	295,000,000	1,345,175 (RMB 295,000,000)	295,000,000	1,346,348 (RMB 295,257,228)	1,345,175 (RMB 295,000,000)	1,173 (RMB 257,228)	-	-
Topo Technology (Suzhou) Co., Ltd	RMB Financial Products	Other financial assets		-	-	-	126,000,000	574,549 (RMB 126,000,000)	126,000,000	575,060 (RMB 126,112,043)	574,549 (RMB 126,000,000)	511 (RMB 112,043)	-	-
Meeca Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	246,000,000	1,121,739 (RMB 246,000,000)	246,000,000	1,122,138 (RMB 246,087,343)	1,121,739 (RMB 246,000,000)	399 (RMB 87,343)	-	-
Envio Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	338,950,000	1,545,583 (RMB 338,950,000)	338,950,000	1,548,223 (RMB 339,528,782)	1,545,583 (RMB 338,950,000)	2,640 (RMB 578,782)	-	-
Ke Yue Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	25,139,000	955,282	25,139,000	1,383,474	955,282	428,192	-	-
Yi Sheng Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	7,800,000	296,400	7,800,000	420,633	296,400	124,233	-	-
Yi De Co., Ltd	Career Technology Co., Ltd – the shares of listed company	Financial assets at fair value through other comprehensive income		-	-	-	7,800,000	296,400	7,800,000	420,818	296,400	124,418	-	-
Nanomag International Co., Ltd.	Norma International Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	258,033,691	10,760,050 (USD 361,560,833)	41,500,000	3,046,580 (USD 87,946,892) (Note 1)	-	-	-	-	299,533,691	13,806,630 (USD 449,507,725)
Norma International Co., Ltd.	Envio Technology (Suqian) Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	1,746,529 (USD 58,687,137)	-	1,002,753 (USD 30,822,283) (Note 2)	-	-	-	-	-	2,749,282 (USD 85,509,420)
Lyra International Co., Ltd.	Mecca Technology (Taizhou) Co., Ltd.	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	6,943,832 (USD 233,327,697)	-	2,452,082 (USD 72,578,653) (Note 3)	-	-	-	-	-	9,395,914 (USD 305,906,350)
Catcher Technology Co., Ltd	Ke Yue Co., Ltd	Investments accounted for using the equity method	Note 5	100% owned subsidiary	-	-	11,290,000	1,512,259 (Note 4)	-	-	-	-	11,290,000	1,512,259

Note 1: Includes incremental investments of US\$41,500,000, the share of profit of subsidiaries accounted for using the equity method of US\$69,884,150, and foreign exchange loss on translating foreign operations of US\$23,437,258.

Note 2: Includes incremental investments of US\$41,500,000, the share of loss of subsidiaries accounted for using the equity method of US\$5,662,018, and foreign exchange loss on translating foreign operations of US\$5,015,699.

Note 3: Includes incremental investments of US\$37,000,000, the share of profit of subsidiaries accounted for using the equity method of US\$108,892,033, repatriation of earnings of US\$57,487,502, and foreign exchange loss on translating foreign operations of US\$15,825,878.

Note 4: Includes incremental investments of TW\$1,129,000 thousand, the share of loss of subsidiaries accounted for using the equity method of TW\$44,933 thousand, and according to the shareholding ratio, the change in the equity of the subsidiary is adjusted to increase the retained earnings TW\$428,192 thousand.

Note 5: Issue of ordinary shares of subsidiaries.

TABLE 4

CATCHER TECHNOLOGY CO., LTD.

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty/ Acquisition Item	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Meeca Technology (Taizhou) Co., Ltd.	Manufacturing plant	2017.06.16-2018.12.31	Contract price is NT\$1,534,094 thousand (RMB 342,790 thousand); NT\$1,381,321 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main contractor is The Industrial Construction Engineering Group Co., Ltd.)	-	-	-	-	\$ -	Price comparison or negotiation	Operating production	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing plant	2017.08.18-2018.12.31	Contract price is NT\$835,499 thousand (RMB 186,690 thousand); NT\$733,991 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main Contractor is Zhongxing Construction Co., Ltd.)	-	-	-	-	-	Price comparison or negotiation	Operating production	-

CATCHER TECHNOLOGY CO., LTD.

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	\$ (3,168,348)	12	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	\$ 645,909	5	
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	299,232	7	Net 30 to 90 days after month end close	Equivalent	Equivalent	(121,891)	4	
			Sales	(363,239)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	392,524	3	
	Envio Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(345,238)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	400,281	1	
			Purchases	121,141	0.5	Net 30 to 90 days after month end close	Equivalent	Equivalent	106,168	3	
Topo Technology (Taizhou) Co., Ltd.	Aquila Technology (Suqian) Co., Ltd	Same ultimate parent company	Purchases	137,673	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(84,058)	3	
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	508,934	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(207,086)	3	
			Sales	(4,697,102)	21	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,106,923	10	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(2,986,889)	14	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,902,637	17	
			Purchases	106,230	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(105,854)	1	
Vito Technology (Suqian) Co., Ltd.	Aquila Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	125,630	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(54,830)	1	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(19,724,213)	88	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	6,953,094	63	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(15,542,202)	71	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	6,416,251	59	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(877,667)	2	Net 30 to 90 days after month end close	Equivalent	Equivalent	235,966	2	
			Purchases	114,662	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	(88,679)	1	
Arcadia Technology (Suqian) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Sales	(290,815)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	224,072	2	
	Envio Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	954,688	12	Net 30 to 90 days after month end close	Equivalent	Equivalent	(987,017)	15	
			Sales	(104,647)	0.5	Net 30 to 90 days after month end close	Equivalent	Equivalent	72,190	1	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(16,378,077)	98	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	(5,652,094)	95	
			Purchases	102,564	2	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	(11,511)	0.2	
Meeca Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(5,976,675)	39	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	1,293,417	17	
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Purchases	1,359,350	35	Net 30 to 90 days after month end close	Equivalent	Equivalent	(1,130,358)	28	
			Sales	(4,161,722)	28	Net 30 to 90 days after month end close	Equivalent	Equivalent	3,238,843	43	
	Arcadia Technology (Suqian) Co., Ltd	Same ultimate parent company	Sales	(3,662,499)	24	Net 30 to 90 days after month end close	Equivalent	Equivalent	1,886,599	25	
			Purchases	131,574	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(89,398)	2	
Aquila Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(158,488)	30	Net 120 days after month end close	Equivalent	Equivalent	63,046	23	

TABLE 6

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Topo Technology (Suzhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	626,542	- (Note 1)	-	Not applicable	\$ -	\$ -
	Envio Technology (Suqian) Co., Ltd	Same ultimate parent company	268,518	- (Note 1)	-	Not applicable	-	-
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	290,895	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	156,636	- (Note 1)	-	Not applicable	-	-
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	645,909	2.18	-	Not applicable	410,158	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,163,578	- (Note 1)	-	Not applicable	-	-
	Envio Technology (Suqian) CO., Ltd.	Same ultimate parent company	392,524	1.75	-	Not applicable	25,940	-
			400,281	1.72	-	Not applicable	22,266	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	8,527,239	- (Note 1)	-	Not applicable	-	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	2,014,838	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	179,012	- (Note 1)	-	Not applicable	-	-
Topo Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	6,953,094	2.47	-	Not applicable	2,138,698	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,106,923	2.64	-	Not applicable	756,070	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,902,637	1.46	-	Not applicable	1,638,462	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	1,029,319	- (Note 1)	-	Not applicable	-	-
			1,130,358	1.10	-	Not applicable	809,579	-
Vito Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	6,416,251	2.22	-	Not applicable	2,917,185	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	207,086	2.62	-	Not applicable	44,264	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	388,683	2.61	-	Not applicable	17,194	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	224,072	1.26	-	Not applicable	197,587	-
	Catcher Technology (Suqian) Co., Ltd.	Same ultimate parent company	135,706	3.07	-	Not applicable	104,693	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Meeca Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	\$ 1,293,417	1.98	\$ -	Not applicable	\$ -	\$ -
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,886,599	1.83	-	Not applicable	527,588	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	3,238,843	2.55	-	Not applicable	1,400,619	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	1,150,925	2.23	-	Not applicable	567,104	-
Arcadia Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	5,652,094	2.65	-	Not applicable	3,403,713	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	105,854	3.22	-	Not applicable	17,142	-
Envio Technology (Suqian) Co., Ltd.	Catcher Technology (Suqian) Co., Ltd	Same ultimate parent company	106,168	2.28	-	Not applicable	55,270	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	987,017	1.93	-	Not applicable	562,474	-
Ke Yue Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	627,930	- (Note 1)	-	Not applicable	-	-
Yi Sheng Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	165,480	- (Note 1)	-	Not applicable	-	-
Yi De Co., Ltd.	Catcher Technology Co., Ltd.	Parent Company	165,420	- (Note 1)	-	Not applicable	-	-

(Concluded)

Note 1: The ending balance of financing provided is not in the calculation of the turnover rate.

TABLE 7

CATCHER TECHNOLOGY CO., LTD.

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Catcher Technology Co., Ltd.	Gigamag Co., Ltd.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	Investing activities	\$ 484,941	\$ 484,941	14,377,642	100	\$ 26,390,730	\$ 2,870,180	\$ 3,057,769	
	Nanomag International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	1	1	30	100	114,420,555	15,542,388	16,211,607	
	Sinher Technology Co., Ltd.	10F-1, No. 29-1, Ln. 169, Kangning St., Xizhi Dist. New Taipei City 221, Taiwan (ROC)	Manufacturing electronic parts	Note 3	65,949	Note 3	Note 3	Note 3	229,173	27,554	
	Epileds Technology Inc.	5F, No. 2, Chuangye Rd., Xinshi Dist. Tainan City 744, Taiwan (ROC)	Manufacturing and selling LED wafer and chip	-	100,115	-	-	-	17,407	185	
	Yue-Kang Health Control Technology Inc.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Health and medical treatment consultant	43,660	40,000	4,366,000	39.69	-	(23,902)	(9,193)	
	Ke Yue Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	1,129,000	-	11,290,000	100	1,512,259	(44,933)	(44,933)	
	Yi De Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	298,000	-	3,070,000	100	409,346	(13,072)	(13,072)	
	Yi Sheng Co., Ltd.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Investing activities	298,000	-	3,070,000	100	409,183	(13,050)	(13,050)	
Gigamag Co., Ltd.	Neat Co., Ltd.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	International trading	307 (USD 10,000)	307 (USD 10,000)	10,000	100	308	6		
Nanomag International Co., Ltd.	Castmate International Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investing activities	31,010 (USD 1,009,592)	30,010 (USD 1,009,592)	1,009,592	100	3,469,139	(595,752)		
	Stella International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	10,199,811 (USD 332,079,144)	10,199,811 (USD 332,079,144)	332,079,144	100	20,610,169	4,070,642		
	Aquila International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	32,251 (USD 1,120,000)	32,251 (USD 1,120,000)	1,050,000	75	315,006	90,661		
	Uranus International Co., Ltd.	Room 1907, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	12,255,573 (USD 399,009,383)	12,255,573 (USD 399,009,383)	399,009,383	100	45,827,891	9,802,536		
	Grus International Co., Ltd.	P.O. Box31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands	Investing activities	-	19,418 (USD 632,214)	-	-	-	289		
	Norma International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	9,200,177 (USD 299,533,691)	7,925,505 (USD 258,033,691)	299,533,691	100	13,806,630	2,280,125		
	Cygnus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	307,312 (USD 10,005,259)	307,312 (USD 10,005,259)	10,005,259	100	3,360,139	(603,055)		
Stella International Co., Ltd.	Lyra International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	10,199,021 (USD 332,053,412)	10,199,021 (USD 332,053,412)	332,053,412	100	22,499,615	4,060,616		
Aquila International Co., Ltd.	Cepheus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	43,001 (USD 1,400,000)	43,001 (USD 1,400,000)	1,400,000	100	418,921	90,812		

Note 1: Share of profit (loss) is only reflected for the subsidiaries invested in directly and the investments accounted for by using the equity method.

Note 2: Information on investments in mainland China is provided in Table 8.

Note 3: In June 2018, the term of the directors expired, therefore losing significant influence on the company, the original equity method evaluation was changed to financial assets at fair value through profit or loss, refer to Table 2.

CATCHER TECHNOLOGY CO., LTD.

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 13)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018 (Note 13)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018 (Note 13)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Catcher Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	\$ -	2. Cygnus International Co., Ltd. (Note 8)	\$ 1,024,038 (USD 33,340,000)	\$ -	\$ -	\$ 1,024,038 (USD 33,340,000)	\$ -	100	\$ -	\$ -	\$ -
Topo Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	307,457 (USD 10,010,000)	2. Lyra International Co., Ltd. (Notes 4 and 5)	1,239,043 (USD 40,340,000)	-	-	1,239,043 (USD 40,340,000)	(125,935)	100	(125,935) (Note 2.(1))	2,003,550	-
Topo Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,740,063 (RMB 829,779,072) (USD 65,979,240)	2. Lyra International Co., Ltd. (Note 9)	-	-	-	-	2,083,518	100	2,083,518 (Note 2.(1))	10,646,908	5,482,243
Meeeca Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,937,477 (USD 74,610,861) (RMB 814,650,196)	2. Lyra International Co., Ltd. (Note 12)	-	-	-	-	3,309,484	100	3,309,484 (Note 2.(1))	9,395,914	-
Meeeca Technology (Suzhou Industrial Park) Co., Ltd.	Manufacturing, selling and developing varied metal products	307,150 (USD 10,000,000)	2. Cygnus International Co. Ltd. (Note 6)	-	-	-	-	79,296	100	79,296 (Note 2.(1))	2,214,719	-
Catcher Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	6,143,000 (USD 200,000,000)	2. Uranus International Co., Ltd. (Note 7)	2,917,894 (USD 94,999,000)	-	-	2,917,894 (USD 94,999,000)	7,812,010	100	7,812,010 (Note 2.(1))	30,376,724	10,597,814
Vito Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,895,922 (RMB 409,431,280) (USD 132,300,000)	2. Uranus International Co., Ltd. (Note 10)	-	-	-	-	3,557,022	100	3,557,022 (Note 2.(1))	16,643,629	-
Arcadia Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	6,046,754 (USD 138,803,527) (RMB 398,499,193)	2. Norma International Co., Ltd. (Note 11)	-	-	-	-	2,452,185	100	2,452,185 (Note 2.(1))	11,256,421	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	3,026,711 (RMB 188,956,820) (USD 71,010,000)	2. Norma International Co., Ltd. (Note 16)	-	-	-	-	(172,060)	100	(172,060) (Note 2.(1))	2,749,282	-
Aquila Technology (Suqian) Co., Ltd.	Manufacturing and selling molds and electronic parts	43,001 (USD 1,400,000)	2. Cepheus International Co., Ltd.	34,401 (USD 1,120,000)	-	-	34,401 (USD 1,120,000)	90,902	75	68,177 (Note 2.(1))	417,910	169,684
WIT Technology (Taizhou) Co., Ltd. (Note 14)	Researching, developing and manufacturing communication electronic products	-	2. Cetus International Co., Ltd.	-	-	-	-	-	70	-	-	-
Chaohu Yunhai Magnesium Co., Ltd. (Note 15)	Manufacturing and selling dolomite, aluminum, magnesium alloy and other alkaline-earth metals	-	2. Sagitta International Co., Ltd.	678,246 (USD 22,081,923)	-	-	678,246 (USD 22,081,923)	-	46	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018 (Note 13)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 13 and 14)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 5,893,623 (USD 191,880,923)	\$ 42,525,182 (USD 999,658,076) (RMB 2,641,316,560)	\$ 90,731,588

Note 1: The investing methods are categorized as follows:
1: Direct investment in companies in mainland China
2: Investment in companies in mainland China, which is made by a company incorporated via a third region
3: Others

Note 2: In the column:
1: This means the investee is under initial preparation and there were no gains or losses on investment.
2: The recognition of gains or losses on investment is based on:
(1) The financial statements audited by global accounting firms, which are affiliated with the accounting firms in the Republic of China
(2) The financial statements audited by the certified public accountant of the parent company in Taiwan
(3) Others

Note 3: The upper limit on investment in mainland China is calculated as \$151,219,313×60%=\$90,731,588.

Note 4: The paid-in capital of US\$6,670,000, which is self-funding of Nanomag International Co., Ltd., is invested in Topo Technology (Suzhou) Co., Ltd. through Stella International Co., Ltd., and the paid-in capital of US\$33,300,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$33,300,000 is returned by capital reduction in the fourth quarter of 2014.

Note 5: The paid-in capital of US\$30,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then reinvested in Topo Technology (Suzhou) Co., Ltd. Thereafter, the amount of US\$67,000,000 was returned by capital reduction in the first quarter of 2016.

Note 6: The paid-in capital of US\$106,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Meeeca Technology (Suzhou Industrial Park) Co., Ltd., and the paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. The amount of US\$16,670,000 was returned by capital reduction in the fourth quarter of 2014 and the amount of US\$32,000,000 in the third quarter of 2016. Thereafter, the amount of US\$32,000,000 was returned by capital reduction in the second quarter of 2017, and the amount of US\$32,000,000 was returned by capital reduction in the third quarter of 2017.

Note 7: The paid-in capital of US\$5,001,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Catcher Technology (Suqian) Co., Ltd. The paid-in capital of US\$100,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were invested in Catcher Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 8: The paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$40,000,000 was returned by capital reduction in the second quarter of 2014, and due to dissolution, US\$10,010,000 of capital were returned in August 2016; the remaining amount of capital has not been wired back to Taiwan.

Note 9: The paid-in capital of RMB227,510,746 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. On the other hand, US\$65,979,240 and RMB602,268,326 are earnings distributed from investees in mainland China to Nanomag International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. via Lyra International Co., Ltd.

Note 10: The paid-in capital of US\$99,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. via Uranus International Co., Ltd. The paid-in capital of US\$33,300,000 and RMB409,431,280 is earning distributed from Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 11: The paid-in capital of US\$27,332,360 and RMB398,499,193 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$89,970,000, which is the proceeds arising from the capital reduction of Catcher Technology (Suzhou) Co., Ltd., Topo Technology (Suzhou) Co., Ltd., and Meeeca Technology (Suzhou Industrial Park) Co., Ltd., was invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$21,501,167 is earning distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

Note 12: The paid-in capital of US\$17,610,861 and RMB529,989,796 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., which were then invested in Meeeca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd. The paid-in capital of US\$20,000,000 and RMB284,660,400 are earnings and liquidation income distributed from Catcher Technology (Suzhou) Co., Ltd. and earnings distributed from Topo Technology (Suzhou) Co., Ltd. and Meeeca Technology (Suzhou Industrial Park) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Meeeca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd.

Note 13: The exchange rate on December 31, 2018 was US\$1:NT\$30.715.
The exchange rate on December 31, 2018 was RMB1:NT\$4.4753.

Note 14: WIT Technology (Taizhou) Co., Ltd. was dissolved in June 2012, and the remaining amount of capital has not been wired back to Taiwan.

Note 15: Sagitta International Co., Ltd. sold all of its shares of Chaohu Yunhai Magnesium Co., Ltd. in June 2016, and the remaining amount of capital has not been wired back to Taiwan.

Note 16: The paid-in capital of US\$71,010,000 and RMB\$ 188,956,820, which is the proceeds arising from returned capital of the liquidation from Catcher Technology (Suzhou) Co., Ltd. and the returned capital reduction from Topo Technology (Suzhou) Co., Ltd. and Meeeca Technology (Suzhou Industrial Park) Co., Ltd., is invested in Envio Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

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STATEMENT 1**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF CASH AND CASH EQUIVALENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Maturity Date	Interest Rate (%)	Amount
Cash on hand			\$ 580
Deposits			
Demand deposits			25,643
Foreign currency deposits (Note 1)			144,567
Cash Equivalents			
Time deposits (Note 2)	2019.01 ~ 2019.03	2.68 ~ 3.25	11,925,165
Repurchase agreements (Note 3)	2019.01 ~ 2019.03	3.15 ~ 3.4	403,685
			<hr/>
			<u>\$12,499,640</u>

Note 1: Including US\$ 151,597.41, RMB 1,055,882.52 and JPY 489,581,864

Note 2: Including US\$ 388,885,218.67

Note 3: Including US\$ 13,164,334.44
(US \$1=NT \$ 30.665, RMB 1=NT \$ 4.447 and JPY1=NT \$ 0.2762)

STATEMENT 2**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF ACCOUNTS RECEIVABLE****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Customer Name	Amount
Customer A	\$ 8,344,938
Customer B	1,109,378
Customer C	623,128
Others (Note 2)	<u>1,043,601</u>
	11,121,045
Less: Allowance for impairment loss	<u>8,438</u>
	<u>\$ 11,112,607</u>

Note 1: The aging of all customers are not past due over 1 year.

Note 2: The amount of individual customer included in others does not exceed 5% of the account balance.

STATEMENT 3**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF INVENTORIES****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 1,955	\$ 7,885
Finished goods	10,069,409	12,178,164
Work-in-process and semi-finished goods	343,579	726,629
Raw materials	63,459	81,120
Supplies	<u>46,541</u>	<u>49,817</u>
	<u>\$ 10,524,943</u>	<u>\$ 13,043,615</u>

CATCHER TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2018		Additions		Unrealized Gain (loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Balance, December 31, 2018		Fair Value (Note)	Collateral
	Shares	Amount	Shares/Units	Amount		Shares	Amount		
Unlisted shares									
Alpha Information Systems, Inc.	1,500,000	\$ 43,500	-	\$ -	\$ (7,920)	1,500,000	\$ 35,580	\$ 35,580	None
CDIB Capital Innovation Accelerator Co., Ltd.	1,500,000	15,000	1,500,000	15,000	(600)	3,000,000	29,400	29,400	None
		<u>\$ 58,500</u>		<u>\$ 15,000</u>	<u>\$ (8,520)</u>		<u>\$ 64,980</u>	<u>\$ 64,980</u>	

Note: Fair value is based on the investee company's most recent net asset value.

CATCHER TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investee Company	Balance, January 1, 2018		Additions (Reductions)		Note	Gain (loss) on Investments	Cumulative Translation Adjustment	Balance, December 31, 2018				
	Shares	Amount	Shares/Units	Amount				Shares	Proportion of Ownership (%)	Amount	Fair Value	Collateral
Investment accounted for using the equity method												
Nanomag International Co., Ltd. (foreign company)	30	\$ 99,173,308	-	\$ 1,013,278	Note 1	\$ 16,211,607	\$ (1,977,638)	30	100	\$114,420,555	\$116,869,113	None
Gigamag Co., Ltd. (foreign company)	14,377,642	22,515,552	-	37,641	Note 2	3,057,769	779,768	14,377,642	100	26,390,730	26,774,156	None
Epileds Technology Inc. (listed company)	7,347,144	151,054	(7,347,144)	(151,288)	Note 3	185	49	-	-	-	-	None
Sinher Technology Co., Ltd. (listed company)	9,186,917	383,335	(1,747,000)	(413,969)	Note 4	27,554	3,080	7,439,917	9.998	-	-	None
Yue-Kang Health Control Technology Inc. (unlisted company)	4,000,000	5,533	366,000	3,660		(9,193)	-	4,366,000	39.69	-	-	None
Ke Yue Co., Ltd. (unlisted company)	-	-	11,290,000	1,557,192	Note 5	(44,933)	-	11,290,000	100	1,512,259	1,512,259	None
Yi Sheng Co., Ltd. (unlisted company)	-	-	3,070,000	422,233	Note 6	(13,050)	-	3,070,000	100	409,183	409,183	None
Yi De Co., Ltd. (unlisted company)	-	-	3,070,000	422,418	Note 7	(13,072)	-	3,070,000	100	409,346	409,346	None
		<u>\$122,228,782</u>		<u>\$ 2,891,165</u>		<u>\$ 19,216,867</u>	<u>\$ (1,194,741)</u>			<u>\$143,142,073</u>	<u>\$145,974,057</u>	
Note 1:												
The details of increase (decrease) were as follows:												
Employee compensation recognized by subsidiaries		\$ 1,653,153										
Unrealized gain from downstream transactions adjustment		<u>(639,875)</u>										
		<u>\$ 1,013,278</u>										
Note 2: Realized gain from downstream transactions adjustment												
Note 3: Disposals of investment in equity												
Note 4:												
The details of increase (decrease) were as follows:												
Cash dividends distributed by subsidiaries		\$ (24,741)										
Share of the remeasurement of defined benefit plans of associates		5										
Disposals of shares		<u>(389,233)</u>										
		<u>\$ (413,969)</u>										
Note 5:												
The details of increase (decrease) were as follows:												
Additional investment in the current period		\$ 1,129,000										
Share of the other comprehensive income of subsidiaries		<u>428,192</u>										
		<u>\$ 1,557,192</u>										
Note 6:												
The details of increase (decrease) were as follows:												
Additional investment in the current period		\$ 298,000										
Share of the other comprehensive income of subsidiaries		<u>124,233</u>										
		<u>\$ 422,233</u>										
Note 7:												
The details of increase (decrease) were as follows:												
Additional investment in the current period		\$ 298,000										
Share of the other comprehensive income of subsidiaries		<u>124,418</u>										
		<u>\$ 422,418</u>										

STATEMENT 6**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF SHORT-TERM BORROWINGS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

	Maturity Date	Interest rate (%)	Balance	Credit Line	Collateral
Borrowings of unsecured loans					
CTBC Bank	107.10 - 108.03	0.72	\$ 5,990,000	\$ 6,500,000	None
Taipei Fubon Bank	107.07 - 108.06	0.72 - 0.865	3,008,000	8,200,000	None
Taishin International Bank	107.12 - 108.01	0.76	3,000,000	4,000,000	None
HSBC Bank	107.03 - 109.10	0.77	5,500,000	5,500,000	None
SMBC Bank	107.07 - 108.03	0.64 - 0.66	12,000,000	18,429,000	None
Mizuho Bank	107.07 - 108.05	0.63	18,240,000	18,429,000	None
MUFG Bank	107.08 - 108.04	0.58	12,000,000	12,000,000	None
SinoPac Bank	107.12 - 108.02	0.74	<u>5,000,000</u>	5,000,000	None
			<u>\$ 64,738,000</u>		

STATEMENT 7

CATCHER TECHNOLOGY CO., LTD.

STATEMENT OF ACCOUNTS PAYABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount
Vendor A	\$ 116,752
Vendor B	61,473
Vendor C	34,464
Vendor D	23,138
Others (Note)	<u>233,754</u>
	<u>\$ 469,581</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

STATEMENT 8**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF OPERATING REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Item	Quantities (Thousands)	Amount
Sale of Goods		
Manufactured products		
Metal casing	53,667	\$ 69,368,867
Less : Sales returns	2,179	2,287,616
Sales discounts		<u>153,392</u>
Net operating revenue		66,927,859
Rental Income		<u>23,192</u>
		<u>\$ 66,951,051</u>

STATEMENT 9**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF OPERATING COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount
Merchandise, beginning of year	\$ 12,850
Add: Merchandise purchased	153,899
Others	10,479
Less: Merchandise, end of year	<u>1,955</u>
Cost of commodity transaction	<u>175,273</u>
Raw materials, beginning of year	29,828
Add: Raw material purchased	980,900
Less: Raw materials, end of year	63,459
Others	<u>174,737</u>
Raw material consumption	772,532
Direct labor	1,034,923
Manufacturing expenses	<u>3,399,689</u>
Manufacturing cost	5,207,144
Add: Work-in-process and semi-finished goods, beginning of year	302,590
Work-in-process and semi-finished goods purchased	187,142
Others	14,273
Less: Work-in-process and semi-finished goods, end of year	343,579
Others	<u>113,565</u>
Manufacturing cost	5,254,005
Add: Finished goods, beginning of year	3,111,636
Finished goods purchased	60,744,907
Others	191,274
Less: Finished goods, end of year	10,069,409
Others	<u>21,153</u>
Finished goods costs of sales	<u>59,211,260</u>
Subtotal	59,386,533
Loss from physical count	540
Revenue from sale of scraps	(573,313)
Cost of others	<u>(227,739)</u>
The cost of inventories	58,586,021
Gain on disposals of property, plant and equipment	(35,844)
Rental Cost	<u>7,289</u>
	<u>\$ 58,557,466</u>

STATEMENT 10**CATCHER TECHNOLOGY CO., LTD.****STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Selling Expenses	General and Administrative Expenses	Research and Development Expenses	Total
Payroll expense	\$ 19,739	\$ 96,709	\$ 313,289	\$ 429,737
Depreciation	743	28,419	13,159	42,321
Export expense	62,079	-	-	62,079
Test fee	-	-	128,738	128,738
Others	<u>38,719</u>	<u>137,853</u>	<u>44,530</u>	<u>221,102</u>
Total	<u>\$ 121,280</u>	<u>\$ 262,981</u>	<u>\$ 499,716</u>	<u>\$ 883,977</u>

STATEMENT 11**CATCHER TECHNOLOGY CO., LTD.**
**STATEMENT OF EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
 (In Thousands of New Taiwan Dollars)**

	Year Ended December 31, 2018			Year Ended December 31, 2017		
	Classified as Operating Costs	Classified as Operating Expenses	Total	Classified as Operating Costs	Classified as Operating Expenses	Total
Employee benefits (Note)						
Salaries	\$ 1,844,172	\$ 429,737	\$ 2,273,909	\$ 1,548,940	\$ 431,374	\$ 1,980,314
Labor and health insurance	170,905	31,073	201,978	152,653	22,018	174,671
Post-employment benefits	71,011	12,195	83,206	64,288	10,114	74,402
Remuneration of directors	-	17,850	17,850	-	17,830	17,830
Others	<u>136,555</u>	<u>13,221</u>	<u>149,776</u>	<u>118,602</u>	<u>28,930</u>	<u>147,532</u>
	<u>\$ 2,222,643</u>	<u>\$ 504,076</u>	<u>\$ 2,726,719</u>	<u>\$ 1,884,483</u>	<u>\$ 510,266</u>	<u>\$ 2,394,749</u>
Depreciation	\$ 785,892	\$ 42,321	\$ 828,213	\$ 748,124	\$ 27,060	\$ 775,184
Amortization	4,878	2,317	7,195	2,336	2,617	4,953

Note: As of December 31, 2018 and 2017, there were 4,134 and 3,337 employees in the Company, respectively. In addition, the Company had 5 non-employee directors in both years.