AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

JUNE 30, 2019 AND 2018

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Shareholders of AURAS TECHNOLOGY CO., LTD.

Introduction

We have reviewed the accompanying consolidated balance sheets of Auras Technology Co., Ltd. and subsidiaries (the “Group”) as at June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 “Review of Financial Information Performed by the Independent Auditor of the Entity” in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2019 and 2018, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Hsu, Yung-Chien　　　　　　　　　　Wu, Han-Chi

For and on behalf of PricewaterhouseCoopers, Taiwan
August 6, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Assets	Notes	June 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	June 30, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 390,264	7	$ 421,322	7	$ 371,019	7
1110	Financial assets at fair value through profit or loss - current	6(2)	-	-	11	-	59	-
1170	Accounts receivable, net	6(4)	2,589,099	42	2,450,208	42	2,177,896	42
1200	Other receivables	6(5) and 7	130,798	2	89,330	2	105,134	2
130X	Inventory	6(6)	1,132,069	18	1,247,865	22	1,004,775	19
1470	Other current assets	6(7) and 8	135,520	2	105,298	2	139,492	3
11XX	**Total current assets**		4,377,750	71	4,314,034	75	3,798,375	73
	Non-current assets							
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	11,610	-	10,740	-	10,199	-
1550	Investments accounted for under equity method	6(8)	123,581	2	139,103	2	152,573	3
1600	Property, plant and equipment	6(9)	1,327,498	21	1,029,504	18	1,004,841	19
1755	Right-of-use assets	6(10)	161,243	3	-	-	-	-
1840	Deferred income tax assets		1,454	-	2,576	-	4,395	-
1900	Other non-current assets	6(11)	201,181	3	283,956	5	239,395	5
15XX	**Total non-current assets**		1,826,567	29	1,465,879	25	1,411,403	27
1XXX	**Total assets**		$ 6,204,317	100	$ 5,779,913	100	$ 5,209,778	100

(Continued)

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of June 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	June 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	June 30, 2018 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	$ 221,993	4	$ 682,869	12	$ 575,392	11
2110	Short-term notes and bills payable		-	-	50,000	1	-	-
2170	Accounts payable		1,789,390	29	2,142,801	37	1,835,873	35
2180	Accounts payable - related parties	7	7,274	-	19,512	-	18,631	1
2200	Other payables	6(13) and 7	696,225	11	509,941	9	575,210	11
2230	Current income tax liabilities		104,222	2	34,514	1	10,791	-
2280	Current lease liabilities		33,339	-	-	-	-	-
2320	Long-term liabilities, current portion	6(14)	-	-	26,675	-	32,437	1
2399	Other current liabilities		5,878	-	5,002	-	12,221	-
21XX	**Total current liabilities**		2,858,321	46	3,471,314	60	3,060,555	59
	Non-current liabilities							
2500	Non-current financial liabilities at fair value through profit or loss	6(2)	2,880	-	-	-	-	-
2530	Corporate bonds payable	6(14)	557,654	9	-	-	-	-
2570	Deferred income tax liabilities		1,977	-	-	-	5,761	-
2580	Non-current lease liabilities		43,534	1	-	-	-	-
25XX	**Total non-current liabilities**		606,045	10	-	-	5,761	-
2XXX	**Total liabilities**		3,464,366	56	3,471,314	60	3,066,316	59
	Equity							
	Equity attributable to owners of parent							
	Share capital	6(17)						
3110	Share capital - common stock		837,323	14	830,116	14	826,580	16
3130	Certificates of bond-to-stock conversion		-	-	815	-	-	-
3140	Advance receipts for share capital		-	-	500	-	230	-
	Capital surplus	6(18)						
3200	Capital surplus		738,984	12	686,920	12	676,369	13
	Retained earnings	6(19)						
3310	Legal reserve		167,638	3	144,339	3	144,339	3
3320	Special reserve		11,222	-	-	-	-	-
3350	Unappropriated retained earnings		1,084,539	17	831,177	14	642,053	12
	Other equity interest							
3400	Other equity interest		6,959	-	(11,222)	-	26,981	1
3500	**Treasury stocks**	6(17)	(120,073)	(2)	(185,473)	(3)	(185,482)	(4)
31XX	**Equity attributable to owners of the parent**		2,726,592	44	2,297,172	40	2,131,070	41
36XX	**Non-controlling interest**		13,359	-	11,427	-	12,392	-
3XXX	**Total equity**		2,739,951	44	2,308,599	40	2,143,462	41
	Significant contingent liabilities and unrecognised contract commitments	9						
3X2X	**Total liabilities and equity**		$ 6,204,317	100	$ 5,779,913	100	$ 5,209,778	100

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

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share amounts)
(REVIEWED, NOT AUDITED)

			Three-month periods ended June 30				Six-month periods ended June 30			
			2019		2018		2019		2018	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
4000	**Sales revenue**	14	$ 2,218,263	100	$ 1,832,825	100	$ 4,664,854	100	$ 3,596,371	100
5000	**Operating costs**	6(6) and 7	(1,764,761)	(80)	(1,638,655)	(90)	(3,734,456)	(80)	(3,205,817)	(89)
5900	**Net operating margin**		453,502	20	194,170	10	930,398	20	390,554	11
	Operating expenses	6(23)								
6100	Selling expenses		(59,301)	(3)	(56,465)	(3)	(129,725)	(3)	(116,387)	(3)
6200	General and administrative expenses		(67,690)	(3)	(66,089)	(4)	(133,397)	(3)	(110,181)	(3)
6300	Research and development expenses		(78,123)	(3)	(64,955)	(3)	(155,499)	(3)	(116,768)	(4)
6000	**Total operating expenses**		(205,114)	(9)	(187,509)	(10)	(418,621)	(9)	(343,336)	(10)
6900	**Operating profit**		248,388	11	6,661	-	511,777	11	47,218	1
	Non-operating income and expenses									
7010	Other income	6(20) and 7	29,311	1	20,668	1	47,780	1	39,313	1
7020	Other gains and losses	6(21)	26,127	1	50,486	3	13,001	-	4,653	-
7050	Finance costs	6(22)	(8,056)	-	(5,385)	-	(17,543)	-	(8,115)	-
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(8)	(7,231)	-	(12,083)	(1)	(17,038)	-	(18,094)	-
7000	**Total non-operating income and expenses**		40,151	2	53,686	3	26,200	1	17,757	1
7900	**Profit before income tax**		288,539	13	60,347	3	537,977	12	64,975	2
7950	Income tax expense	6(24)	(61,797)	(3)	(24,226)	(1)	(121,942)	(3)	(21,889)	(1)
8200	**Profit for the period**		$ 226,742	10	$ 36,121	2	$ 416,035	9	$ 43,086	1
	Other comprehensive income									
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains (losses) on financial assets at fair value through other comprehensive income	6(3)	$ 575	-	$ 1,551	-	$ 870	-	$ 1,551	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Financial statements translation differences of foreign operations		(21,921)	(1)	(15,987)	(1)	15,796	-	8,262	1
8370	Share of other comprehensive income of associates and joint ventures accounted for under equity method		3	-	2,913	-	1,601	-	2,546	-
8360	**Other comprehensive income (loss) that will be reclassified to profit or loss**		(21,918)	(1)	(13,074)	(1)	17,397	-	10,808	1
8300	**Other comprehensive income (loss) for the period**		($ 21,343)	(1)	($ 11,523)	(1)	$ 18,267	-	$ 12,359	1
8500	**Total comprehensive income for the period**		$ 205,399	9	$ 24,598	1	$ 434,302	9	$ 55,445	2
	Profit (loss) attributable to:									
8610	Owners of the parent		$ 226,120	10	$ 36,693	2	$ 414,189	9	$ 43,863	1
8620	Non-controlling interest		622	-	(572)	-	1,846	-	(777)	-
			$ 226,742	10	$ 36,121	2	$ 416,035	9	$ 43,086	1
	Comprehensive income (loss) attributable to:									
8710	Owners of the parent		$ 204,914	9	$ 25,279	1	$ 432,370	9	$ 56,152	2
8720	Non-controlling interest		485	-	(681)	-	1,932	-	(707)	-
			$ 205,399	9	$ 24,598	1	$ 434,302	9	$ 55,445	2
	Earnings per share	6(25)								
9750	**Basic earnings per share**		$ 2.75		$ 0.45		$ 5.07		$ 0.55	
9850	**Diluted earnings per share**		$ 2.60		$ 0.45		$ 4.78		$ 0.54	

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

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent												
		Capital				Retained Earnings			Other Equity Interest					
	Notes	Share capital - common stock	Certificates of bond-to-stock conversion	Advance receipts for share capital	Total capital surplus, additional paid-in capital	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
Six-month period ended June 30, 2018														
Balance at January 1, 2018		$ 807,033	$ -	$ 130	$ 597,311	$ 115,324	$ -	$ 789,866	$ 14,692	$ -	($ 135,534)	$ 2,188,822	$ 13,099	$ 2,201,921
Profit (loss) for the period		-	-	-	-	-	-	43,863	-	-	-	43,863	(777)	43,086
Other comprehensive income for the period		-	-	-	-	-	-	-	10,738	1,551	-	12,289	70	12,359
Total comprehensive income (loss)		-	-	-	-	-	-	43,863	10,738	1,551	-	56,152	(707)	55,445
Appropriation and distribution of 2017 retained earnings	6(19)													
Legal reserve		-	-	-	-	29,015	-	(29,015)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(162,661)	-	-	-	(162,661)	-	(162,661)
Conversion of convertible bonds	6(14)	16,547	-	-	73,761	-	-	-	-	-	-	90,308	-	90,308
Employee share options	6(16)	3,000	-	100	5,060	-	-	-	-	-	-	8,160	-	8,160
Compensation cost of share-based payments	6(16)	-	-	-	237	-	-	-	-	-	-	237	-	237
Acquisition of treasury shares	6(17)	-	-	-	-	-	-	-	-	-	(49,948)	(49,948)	-	(49,948)
Balance at June 30, 2018		$ 826,580	$ -	$ 230	$ 676,369	$ 144,339	$ -	$ 642,053	$ 25,430	$ 1,551	($ 185,482)	$ 2,131,070	$ 12,392	$ 2,143,462
Six-month period ended June 30, 2019														
Balance at January 1, 2019		$ 830,116	$ 815	$ 500	$ 686,920	$ 144,339	$ -	$ 831,177	($ 13,314)	$ 2,092	($ 185,473)	$ 2,297,172	$ 11,427	$ 2,308,599
Profit for the period		-	-	-	-	-	-	414,189	-	-	-	414,189	1,846	416,035
Other comprehensive income for the period		-	-	-	-	-	-	-	17,311	870	-	18,181	86	18,267
Total comprehensive income		-	-	-	-	-	-	414,189	17,311	870	-	432,370	1,932	434,302
Appropriation and distribution of 2018 retained earnings	6(19)													
Legal reserve		-	-	-	-	23,299	-	(23,299)	-	-	-	-	-	-
Special reserve		-	-	-	-	-	11,222	(11,222)	-	-	-	-	-	-
Cash dividends		-	-	-	-	-	-	(125,226)	-	-	-	(125,226)	-	(125,226)
Convertible bonds issued	6(14)	-	-	-	31,340	-	-	-	-	-	-	31,340	-	31,340
Conversion of bonds payable	6(14)	5,777	(815)	-	21,321	-	-	-	-	-	-	26,283	-	26,283
Employee share options	6(16)	1,430	-	(500)	691	-	-	-	-	-	-	1,621	-	1,621
Treasury shares transferred to employees		-	-	-	(1,288)	-	-	(1,080)	-	-	65,400	63,032	-	63,032
Balance at June 30, 2019		$ 837,323	$ -	$ -	$ 738,984	$ 167,638	$ 11,222	$ 1,084,539	$ 3,997	$ 2,962	($ 120,073)	$ 2,726,592	$ 13,359	$ 2,739,951

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

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	Six-month periods ended June 30 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 537,977	$ 64,975
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(23)	109,646	68,306
Amortisation	6(23)	11,367	9,798
Interest expense (including accounts receivable factoring expenses)	6(22)	16,771	7,632
Interest income		(835)	(565)
Share of loss of associates accounted for using equity method		17,038	18,094
Loss on disposal of property, plant and equipment	6(21)	2,305	976
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	6(21)	(4,015)	75
Compensation cost of share-based payments	6(16)	-	237
Changes in operating assets and liabilities			
Changes in operating assets			
Accounts receivable		(116,791)	182,979
Other receivables		(41,175)	(24,270)
Inventories		125,968	(71,807)
Prepayments		(32,638)	(16,894)
Other current assets		2,928	332
Changes in operating liabilities			
Accounts payable		(379,934)	(255,060)
Accounts payable - related parties		(12,536)	(7,117)
Other payables		(17,190)	(43,744)
Other current liabilities		876	9,156
Cash inflow (outflow) generated from operations		219,762	(56,897)
Interest received		835	565
Interest paid		(17,003)	(5,577)
Income tax paid		(49,135)	(36,878)
Net cash flows from (used in) operating activities		154,459	(98,787)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	6(26)	(238,188)	(64,806)
Disposal of property, plant and equipment		54	1,239
Increase in other non-current assets		(10,577)	(17,078)
Increase in prepayments for business facilities		(74,968)	(40,982)
Net cash flows used in investing activities		(323,679)	(121,627)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in short-term borrowings	6(27)	(464,364)	332,270
Decrease in short-term notes and bills payable		(50,000)	-
Proceeds from issuing bonds		600,000	-
Exercise of employee share options		1,621	8,160
Repayment of the principal portion of lease liabilities		(18,001)	-
Acquisition of treasury shares	6(16)	-	(49,948)
Treasury shares transferred to employees		63,032	-
Net cash flows from financing activities		132,288	290,482
Effect of changes in foreign currency exchange		5,874	(974)
Net (decrease) increase in cash and cash equivalents		(31,058)	69,094
Cash and cash equivalents at beginning of period		421,322	301,925
Cash and cash equivalents at end of period		$ 390,264	$ 371,019

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

AURAS TECHNOLOGY CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SIX-MONTH PERIODS ENDED JUNE 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

Auras Technology Co., Ltd. (the "Company") was established as a company limited by shares as approved by the Ministry of Economic Affairs on August 24, 1998, and listed on the Taipei Exchange in May 2005. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in heat flow consulting service and manufacturing, processing and retail of electronic materials, computer heat dissipation modules and other related products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were reported to the Board of Directors on August 6, 2019.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments as endorsed by FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $26,146 and increased 'lease liability' by $26,146 with respect to the lease contracts of lessees on January 1, 2019. The Company increased 'right-of-use asset' by $84,514 and decreased other non-current liabilities by $84,514 with respect to the land use right contract.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a) Reassessment as to whether a contract is, or contains, a lease is not required, instead, the application of IFRS 16 depends on whether or not the contracts were previously identified as leases applying IAS 17 and IFRIC 4.

(b) The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $1,157 was recognised in the second quarter of 2019.

(d) The exclusion of initial direct costs for the measurement of 'right-of-use asset'.

(e) The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

D. The Group calculated the present value of lease liabilities by using weighted average incremental borrowing interest rate ranging from 1.06% to 4.46%.

E. The Group recognised lease liabilities which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$	28,809
Less: Short-term leases	(	1,157)
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$	27,652
Incremental borrowing interest rate at the date of initial application		1.06%~4.46%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$	26,146

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehersive income.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2019	Ownership (%) December 31, 2018	Ownership (%) June 30, 2018	Description
AURAS Technology Co., Ltd.	LI-HORNG Technology Co., Ltd.	Holding company	100	100	100	
AURAS Technology Co., Ltd.	RAIJINTEK Co., Ltd.	Subsidiary	56	56	56	
AURAS Technology Co., Ltd.	AURAS International Inc.	Subsidiary	100	100	100	
AURAS Technology Co., Ltd.	HAO-HORNG Technology Co., Ltd.	Subsidiary	100	100	100	
LI-HORNG Technology Co., Ltd.	SHUANG HORNG Technology Co., Ltd.	Holding company	100	100	100	
LI-HORNG Technology Co., Ltd.	ZE HORNG Technology Co., Ltd.	Holding company	100	100	100	
LI-HORNG Technology Co., Ltd.	PEL HORNG Technology Co., Ltd.	Holding company	100	100	100	
LI-HORNG Technology Co., Ltd.	ZHEN HORNG Technology Co., Ltd.	Holding company	100	100	100	
LI-HORNG Technology Co., Ltd.	SHIH HORNG Technology Co., Ltd.	Holding company	100	100	100	
SHUANG HORNG Technology Co., Ltd.	AURAS Technology (KUNSHAN) Co., Ltd.	Manufacturing company	100	100	100	
ZE HONG Technology Co., Ltd.	Ze Hong (Guangzhou) Technology Co., Ltd.	Manufacturing company	100	100	100	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) June 30, 2019	Ownership (%) December 31, 2018	Ownership (%) June 30, 2018	Description
PEL HORNG Technology Co., Ltd.	Pel Horng (Guangzhou) Technology Co., Ltd.	Manufacturing company	100	100	100	
ZHEN HORNG Technology Co., Ltd.	AURAS Technology (CHONGQING) Co., Ltd.	Manufacturing company	100	100	100	
AURAS Technology (KUNSHAN) Co., Ltd.	Anhui Wei-hong Electronic Technology Co., Ltd.	Manufacturing company	60	60	60	

C. Subsidiaries included in the consolidated financial statements and movements of the periods were as follows:

In the second quarter of 2019 and 2018, the financial statements and related information of subsidiaries included in the consolidated financial statements were all reviewed by independent accountants.

D. Subsidiaries not included in the consolidated financial statements: None.

E. Adjustments for subsidiaries with different balance sheet dates: None.

F. Significant restrictions: None.

G. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

A. The consolidated financial statements are presented in New Taiwan dollars, which is the Company's functional and the Group's presentation currency.

B. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are retranslated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

(d) The foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

C. Translation of foreign operations

The operating results and financial position of all the group entities and associates that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(d) When the foreign operation partially disposed of or sold is an associate or joint arrangement, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss on sale. In addition, if the Group retains partial interest in the former foreign associate or joint arrangements after losing significant influence over the former foreign associate, or losing joint control of the former joint arrangements, such transactions should be accounted for as disposal of all interest in these foreign operations.

(e) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, if the Group retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary, such transactions should be accounted for as disposal of all interest in the foreign operation.

(5) <u>Classification of current and non-current items</u>

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be paid off within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be paid off within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at fair value through other comprehensive income

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value in other comprehensive income and debt instruments which meet all of the following criteria:

(a) The objective of the Group’s business model is achieved both by collecting contractual cash flows and selling financial assets; and

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at fair value through other comprehensive income are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. The Group subsequently measures the financial assets at fair value:

(a) The changes in fair value of equity investments that were recognised in other comprehensive income are reclassified to retained earnings and are not reclassified to profit or loss following the derecognition of the investment. Dividends are recognised as revenue when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(b) Except for the recognition of impairment loss, interest income and gain or loss on foreign exchange which are recognised in profit or loss, the changes in fair value of debt instruments are taken through other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

C. The Group’s operating pattern of accounts receivable that are expected to be factored is for the purpose of receiving contract cash flow and selling, and the accounts receivable are subsequently measured at fair value, with any changes in fair value recognised in other comprehensive income.

(10) Impairment of financial assets

Accounts receivable that have a significant financing component, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has not retained control of the financial asset.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in process comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Investments accounted for using equity method / associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity do not arise from profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises change in ownership interests in the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. In the case that an associate issues new shares and the Group does not subscribe or acquire new shares proportionately, which results in a change in the Group's ownership percentage of the associate but maintains significant influence on the associate, then 'capital surplus' and 'investments accounted for under the equity method' shall be adjusted for the increase or decrease of its share of equity interest. If the above condition causes a decrease in the Group's ownership percentage of the associate, in addition to the above adjustment, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately on the same basis as would be required if the relevant assets or liabilities were disposed of.

F. Upon loss of significant influence over an associate, the Group remeasures any investment retained in the former associate at its fair value. Any difference between fair value and carrying amount is recognised in profit or loss.

G. When the Group disposes its investment in an associate and loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	12 ~20 years
Machinery and equipment	3 ~10 years
Leasehold improvements	3 years
Other assets	3 ~10 years

(15) Leasing arrangements (lessee)-right-of-use assets/lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

(d) An estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Leased assets/operating leases (lessee)

Prior to 2019

Payments made under an operating lease (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the lease term.

(17) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(18) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(19) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(20) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(21) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(22) Convertible bonds payable

Convertible corporate bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus-share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) is remeasured on the conversion date. The book value of common shares issued due to the conversion is based on the adjusted book value of the abovementioned liability component plus the book value of capital surplus - share options.

F. If bondholders could exercise the put option in the next year, the corporate bonds payable should be reclassified as current liabilities; otherwise, when the put option exceeds its exercise period, the corporate bonds payable with unexercised put option should be reversed as non-current liabilities.

(23) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees’ compensation and directors’ and supervisors’ remuneration

Employees’ compensation and directors’ and supervisors’ remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated.

(24) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(25) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. A deferred tax asset shall be recognised for the carryforward of unused tax credits to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

F. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

G. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

(26) Treasury shares

Where the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

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

(29) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

The Group has no accounting policy which involves significant judgement and has material impact on recognition amount.

(2) Critical accounting estimates and assumptions

The Group makes accounting estimates in applying reasonable expectation concerning future events. However, assumptions and estimates may differ from the actual results. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of June 30, 2019, the carrying amount of inventories was $1,132,069.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand and revolving funds	$ 2,233	$ 1,987	$ 1,265
Checking accounts and demand deposits	388,031	419,335	369,754
Time deposits	$ 390,264	$ 421,322	$ 371,019

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. For the Group’s cash in bank pledged to others, please refer to Note 8.

(2) Financial assets and liabilities at fair value through profit or loss

Items	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Put and call options of secured convertible bonds	$ -	$ 2,171	$ 2,171
Valuation adjustment	-	(2,160)	(2,112)
	$ -	$ 11	$ 59

Items	June 30, 2019	December 31, 2018	June 30, 2018
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Put and call options of secured convertible bonds	$ 6,480	$ -	$ -
Valuation adjustment	(3,600)	-	-
	$ 2,880	$ -	$ -

A. The Group has no financial assets and liabilities at fair value through profit or loss pledged to others.

B. The Group recognised net gain (loss) on financial assets and liabilities at fair value through profit or loss as part of 'other gains and losses', and the related amount is shown in Note 6 (21).

C. Information relating to credit risk of financial assets and liabilities at fair value through profit or loss is provided in Note 12(2).

(3) Financial assets at fair value through other comprehensive income

Items	June 30, 2019	December 31, 2018	June 30, 2018
Non-current items:			
Unlisted stocks	$ 8,648	$ 8,648	$ 8,648
Valuation adjustment	2,962	2,092	1,551
	$ 11,610	$ 10,740	$ 10,199

A. The Group has no financial assets at fair value through other comprehensive income pledged to others.

B. For the six-month periods ended June 30, 2019 and 2018, the amounts of fair value changes recognised in other comprehensive income were $870 and $1,551, respectively, for the financial assets at fair value through other comprehensive income.

C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).

(4) Accounts receivable, net

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	$ 45,030	$ 7,115	$ -
Accounts receivable	2,549,187	2,448,155	2,182,775
Less: Allowance for bad debts	(5,118)	(5,062)	(4,879)
	$ 2,589,099	$ 2,450,208	$ 2,177,896

A. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Not past due	$ 2,501,575	$ 2,398,101	$ 2,025,688
1 to 90 days	84,758	50,102	144,314
91 to 180 days	1,510	1,741	7,946
Over 180 days	6,374	5,326	4,827
	$ 2,594,217	$ 2,455,270	$ 2,182,775

The above ageing analysis was based on past due date.

B. As of June 30, 2019, December 31, 2018 and June 30, 2018, accounts receivable and notes receivable were all from contracts with customers. As of January 1, 2018, the balance of receivables from contracts with customers amounted to $2,350,509.

C. The Group does not hold any collateral as security.

D. On June 30, 2019, December 31, 2018 and June 30, 2018, the Group had accounts receivable classified as financial assets at fair value through other comprehensive income in the amounts of $668,984, $326,784 and $115,348, respectively. Please refer to Note 6(5) for information on transfer of financial assets.

E. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(5) Transfer of financial assets

The Group entered into a factoring agreement with a bank to sell its accounts receivable. Under the agreement, the Group is not obligated to bear the default risk of the transferred accounts receivable, but is liable for the losses incurred on any business dispute, which meet the derecognition criteria of financial assets. Further, the Group does not have any continuing involvement in the transferred accounts receivable. Thus, the Group derecognised the transferred accounts receivable, and the related information is as follows:

June 30, 2019

Purchaser of accounts receivable	Accounts receivable not due and transferred / Amount derecognised	Amount advanced	Retention and unadvanced amount (Shown as "Other receivables")	Contract amount of bank	Interest rate of amount advanced
Taishin International Bank, etc.	$ 291,248	$ 189,050	$ 102,198	$ 1,367,790	3.19%~3.44%

December 31, 2018

Purchaser of accounts receivable	Accounts receivable not due and transferred / Amount derecognised	Amount advanced	Retention and unadvanced amount (Shown as "Other receivables")	Contract amount of bank	Interest rate of amount advanced
Taishin International Bank, etc.	$ 460,568	$ 392,546	$ 68,022	$ 1,010,725	3.35%~3.99%

June 30, 2018

Purchaser of accounts receivable	Accounts receivable not due and transferred / Amount derecognised	Amount advanced	Retention and unadvanced amount (Shown as "Other receivables")	Contract amount of bank	Interest rate of amount advanced
Taishin International Bank, etc.	$ 416,156	$ 337,801	$ 78,355	$ 824,140	2.9%~3.45%

Expense arising from accounts receivable factoring is accounted as 'financial cost', and the related amount is shown in Note 6 (22).

(6) Inventories

	June 30, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 237,930	($ 19,910)	$ 218,020
Work in progress	446,486	(22,776)	423,710
Finished goods	507,527	(21,084)	486,443
Merchandise	6,240	(2,344)	3,896
	$ 1,198,183	($ 66,114)	$ 1,132,069

	December 31, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 258,875	($ 4,275)	$ 254,600
Work in progress	408,232	(15,597)	392,635
Finished goods	603,214	(6,854)	596,360
Merchandise	6,192	(1,922)	4,270
	$ 1,276,513	($ 28,648)	$ 1,247,865

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 232,489	($ 12,536)	$ 219,953
Work in progress	354,662	(21,143)	333,519
Finished goods	461,731	(14,193)	447,538
Merchandise	5,866	(2,101)	3,765
	$ 1,054,748	($ 49,973)	$ 1,004,775

The cost of inventories recognised as expense for the period:

	Three-month periods ended June 30,	
	2019	2018
Cost of goods sold	$ 1,738,491	$ 1,619,796
Loss on market value decline of inventories	18,164	8,136
Loss on scrapping inventory	13,512	19,156
Loss (gain) on physical inventory	377	(923)
Sale of scraps	(5,783)	(7,510)
	$ 1,764,761	$ 1,638,655

	Six-month periods ended June 30, 2019	Six-month periods ended June 30, 2018
Cost of goods sold	$ 3,677,615	$ 3,171,313
Loss on market value decline of inventories	38,712	18,928
Loss on scrapping inventory	26,963	27,880
Gain on physical inventory	(494)	(1,491)
Sale of scraps	(8,340)	(10,813)
	$ 3,734,456	$ 3,205,817

(7) Other current assets

	June 30, 2019	December 31, 2018	June 30, 2018
Business tax paid	$ 115,868	$ 84,567	$ 122,475
Prepaid expenses	8,991	7,248	8,115
Others	10,661	13,483	8,902
	$ 135,520	$ 105,298	$ 139,492

(8) Investments accounted for using equity method

	June 30, 2019		December 31, 2018		June 30, 2018	
Company name	Amount	%	Amount	%	Amount	%
JCD OPTICAL (CAYMAN) CO., LTD.	$ 113,204	34.75	$ 125,582	34.75	$ 137,800	34.75
PRO JUMP CO., LTD.	9,241	36.00	12,547	36.00	13,720	36.00
MILK IDEA INC.	1,136	20.00	974	20.00	1,053	20.00
	$ 123,581		$ 139,103		$ 152,573	

A. Associates

(a) On June 30, 2019, December 31, 2018 and June 30, 2018, the basic information of the associates that are material to the Group and comprise above 1% of total assets were as follows:

			Shareholding ratio				
Company name	Registered country	Principal place of business	June 30, 2019	December 31, 2018	June 30, 2018	Nature of relationship	Method of measurement
JCD CAYMAN	Cayman	China	34.75%	34.75%	34.75%	Note	Equity method

Note: Owns more than 20% of voting rights

(b) The summarised financial information of the associates that are material to the Group is shown below:

Balance sheet

	JCD CAYMAN		
	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	$ 312,271	$ 329,459	$ 384,608
Non-current assets	123,777	145,261	150,885
Current liabilities	(110,282)	(113,332)	(138,947)
Total net assets	$ 325,766	$ 361,388	$ 396,546
Share in associate's net assets	$ 113,204	$ 125,582	$ 137,800
Carrying amount of the associate	$ 113,204	$ 125,582	$ 137,800

Statement of comprehensive income

	JCD CAYMAN	
	Three-month periods ended June 30,	
	2019	2018
Revenue	$ 55,649	$ 74,375
Loss for the period from continuing operations	(14,612)	(37,904)
Other comprehensive loss, net of tax	(4,853)	(15,931)
Total comprehensive loss	($ 19,465)	($ 53,835)

	JCD CAYMAN	
	Six-month periods ended June 30,	
	2019	2018
Revenue	$ 98,040	$ 148,766
Loss for the period from continuing operations	(36,150)	(42,467)
Other comprehensive loss, net of tax	(688)	(4,278)
Total comprehensive loss	($ 36,838)	($ 46,745)

(c) The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

As of June 30, 2019, December 31, 2018 and June 30, 2018, the carrying amount of the Group's individually immaterial associates amounted to $10,377, $13,521 and $14,773, respectively. The operating results were as follows:

	Three-month periods ended June 30,	
	2019	2018
Loss from continuing operations	($ 4,795)	($ 2,469)

	Six-month periods ended June 30,	
	2019	2018
Loss from continuing operations	($ 9,648)	($ 6,571)

B. The balances of aforementioned loss on investments accounted for using equity method for the three-month and six-month periods ended June 30, 2019 and 2018 were $7,231, $12,083, $17,038 and $18,094, respectively.

(9) Property, plant and equipment

	Buildings and structures	Machinery and equipment	Leasehold improvements	Others	Total
At January 1, 2019					
Cost	$ 672,246	$ 849,308	$ 74,191	$ 243,386	$ 1,839,131
Accumulated depreciation	(271,571)	(345,181)	(55,302)	(137,573)	(809,627)
	$ 400,675	$ 504,127	$ 18,889	$ 105,813	$ 1,029,504
2019					
Opening net book amount as at January 1	$ 400,675	$ 504,127	$ 18,889	$ 105,813	$ 1,029,504
Additions	26,757	165,043	2,572	114,334	308,706
Disposals	-	(773)	-	(1,586)	(2,359)
Transfers	-	67,907	-	5,616	73,523
Depreciation charge	(22,131)	(59,448)	(1,875)	(7,105)	(90,559)
Net exchange differences	4,352	4,054	196	81	8,683
Closing net book amount as at June 30	$ 409,653	$ 680,910	$ 19,782	$ 217,153	$ 1,327,498
At June 30, 2019					
Cost	$ 706,142	$1,083,676	$ 76,912	$ 349,435	$ 2,216,165
Accumulated depreciation	(296,489)	(402,766)	(57,130)	(132,282)	(888,667)
	$ 409,653	$ 680,910	$ 19,782	$ 217,153	$ 1,327,498

	Buildings and structures	Machinery and equipment	Leasehold improvements	Others	Total
At January 1, 2018					
Cost	$ 578,272	$ 748,997	$ 75,668	$ 394,551	$ 1,797,488
Accumulated depreciation	(239,488)	(288,036)	(57,886)	(215,908)	(801,318)
	$ 338,784	$ 460,961	$ 17,782	$ 178,643	$ 996,170
2018					
Opening net book amount as at January 1	$ 338,784	$ 460,961	$ 17,782	$ 178,643	$ 996,170
Additions	3,004	20,123	2,971	47,111	73,209
Disposals	-	(1,086)	-	(1,129)	(2,215)
Transfers	-	10,592	1,740	(12,332)	-
Depreciation charge	(19,291)	(41,227)	(2,065)	(5,723)	(68,306)
Net exchange differences	2,245	2,937	82	719	5,983
Closing net book amount as at June 30	$ 324,742	$ 452,300	$ 20,510	$ 207,289	$ 1,004,841
At June 30, 2018					
Cost	$ 584,793	$ 771,887	$ 80,786	$ 345,092	$ 1,782,558
Accumulated depreciation	(260,051)	(319,587)	(60,276)	(137,803)	(777,717)
	$ 324,742	$ 452,300	$ 20,510	$ 207,289	$ 1,004,841

(10) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land use right, buildings, machinery and equipment and business vehicles. Except the lease period of land use right is 50 years, remaining rental contracts are typically made for periods of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The lease period of certain dormitories is less than 12 months.

C. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	June 30, 2019	Three-month period ended June 30, 2019	Six-month period ended June 30, 2019
	Book value	Depreciation expense	Depreciation expense
Land	$ 84,391	$ 528	$ 1,058
Buildings	75,565	9,082	17,503
Machinery and equipment	1,287	75	150
Transportation equipment (Business vehicles)	-	94	376
	$ 161,243	$ 9,779	$ 19,087

D. For the three-month and six-month periods ended June 30, 2019, the additions to right-of-use assets were $0 and $68,819, respectively.

E. Information on profit or loss in relation to lease contracts is as follows:

Items affecting profit or loss	Three-month period ended June 30, 2019	Six-month period ended June 30, 2019
Interest expense on lease liabilities	$ 714	$ 1,475
Expense on short-term lease contracts	7,338	14,686

F. For the six-month period ended June 30, 2019, the Group's total cash outflow for leases was $34,162.

(11) Other non-current assets

	June 30, 2019	December 31, 2018	June 30, 2018
Prepayments for business facilities	$ 98,697	$ 84,453	$ 41,047
Computer software cost	79,093	86,271	87,230
Guarantee deposits paid	15,354	19,893	14,639
Land use right	-	84,514	87,866
Others	8,037	8,825	8,613
	$ 201,181	$ 283,956	$ 239,395

The Group entered into land use rights contracts with the government of People's Republic of China, and recognised rental expenses of $541 and $1,076 for the three-month and six-month periods ended June 30, 2018, respectively. Abovementioned land use right was reclassified to right-of-use assets starting from January 1, 2019. The lease period is 50 years.

(12) Short-term borrowings

Type of borrowings	June 30, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 66,590	1%~3.0127%	None
Secured borrowings	155,403	3.9433%~3.9863%	Note
	$ 221,993		

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 437,331	1.04%~3.59%	None
Secured borrowings	245,538	3.6863%~3.8646%	Note
	$ 682,869		

Type of borrowings	June 30, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 484,222	1.04%~3.06%	None
Secured borrowings	91,170	3.6%	Note
	$ 575,392		

Note: The Company is the guarantor without collateral for the secured borrowings of a subsidiary.

Information in relation to the interest expense recognised in profit or loss for the three-month and six-month periods ended June 30, 2019 and 2018 is provided in Note 6(22).

(13) Other payables (including related parties)

	June 30, 2019	December 31, 2018	June 30, 2018
Bonus and salary payable	$ 122,090	$ 130,724	$ 92,817
Dividends payable	125,226	-	162,661
Processing fees payable	114,959	119,738	79,322
Payable for equipment	100,170	29,652	10,533
Payable for service fees	46,829	44,897	32,820
Payables for freight and warehouse charge	28,932	37,431	25,602
Payables for miscellaneous purchases	25,889	31,738	18,157
Other payables	132,130	115,761	153,298
	$ 696,225	$ 509,941	$ 575,210

(14) Bonds payable

	June 30, 2019	December 31, 2018	June 30, 2018
Bonds payable	$ 600,000	$ 26,800	$ 32,800
Less: Discount on bonds payable	(42,346)	(125)	(363)
	557,654	26,675	32,437
Less: Current portion (shown as "long-term liabilities, current portion")	-	(26,675)	(32,437)
Bonds payable - non-current	$ 557,654	$ -	$ -

A. The terms of the second domestic secured convertible bonds are as follows:

The Company issued $300,000, 0%, second domestic secured convertible bonds as approved by the regulatory authority. The bonds mature three years from the issue date (May 17, 2016 ~May 17, 2019). The bonds were listed on the Taipei Exchange on May 17, 2016, and were all converted to common stocks due to maturity in May 2019.

B. The terms of the third domestic unsecured convertible bonds are as follows:

(a) The Company issued $600,000, 0%, third domestic unsecured convertible bonds as approved by the regulatory authority. The bonds mature five years from the issue date (May 29, 2019 ~May 29, 2024). The bonds were listed on the Taipei Exchange on May 29, 2019.

(b) The conversion price of the bonds is set up based on the pricing model. If a violation of anti-dilution provision occurred, the conversion price would be subsequently adjusted in accordance with the pricing model as specified in the terms of conversion. The conversion price was $133 (in dollars) per share upon issuance.

(c) The bondholders have the right to require the Company to redeem any bonds at the price of the bonds' face value plus 2.27% of the face value as interest upon three years from the issuance date.

(d) The Company may repurchase all the bonds outstanding in cash at the bonds' face value at any time after the following events occur: (i) the closing price of the Company's common shares is above the then conversion price by 30% for 30 consecutive trading days during the period from the date after three month of the bonds issue to 40 days before the maturity date, or (ii) the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue to 40 days before the maturity date.

(e) Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

C. Regarding the issuance of the third domestic unsecured convertible bonds, the equity conversion options amounting to $31,340 were separated from the liability component and were recognised in 'capital surplus—share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IAS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rate of the bonds payable after such separation was 1.4912%.

(15) Pensions

Defined contribution plans

A. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

B. The Group's mainland subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC.) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage for the three-month and six-month periods ended June 30, 2019 and 2018 was 18% ~ 20%. Other than the monthly contributions, the Group has no further obligations.

C. The pension costs under the defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2019 and 2018 were $12,118, $8,798, $23,470 and $16,763, respectively.

(16) Share-based payment

A. For the six-month periods ended June 30, 2019 and 2018, the Group's share-based payment arrangements were as follows:

Type of arrangement	Grant date	Quantity granted (thousands)	Contract period (years)	Vesting conditions
Employee stock options	January 2, 2014	490	5	Note
Employee stock options	August 26, 2014	1,430	5	Note
Employee stock options	December 29, 2014	482	5	Note
Treasury shares reissued to employees	November 15, 2018	734	-	Immediately
Treasury shares reissued to employees	December 6, 2018	1,658	-	Immediately

Note: According to the employees' continuance in office (1 to 4 years), the employees can exercise their employee stock options in batch at the ratio of 50%, 25% and 25%.

B. Employee stock options are evaluated using the Binomial lattice model. Relevant information is as follows:

Grant date	Stock price (dollars)	Exercise price (dollars)	Expected price volatility	Expected option life	Expected dividend yield	Risk-free interest rate (%)	Fair value per unit (dollars)
January 2, 2014	$ 22.10	$ 20.20	38.67%	January 3, 2014~ January 2, 2019	5.3050%	1.14%	$4.58~4.97
August 26, 2014	20.80	18.90	35.18%	August 27, 2014~ August 26, 2019	1.9560%	1.15%	5.04~5.19
December 29, 2014	18.70	17.00	41.64%	December 30, 2014 ~December 29, 2019	1.9560%	1.0952%	5.44~5.57

C. The details of the employee stock option plan for the six-month periods ended June 30, 2019 and 2018 are as follows:

	Six-month period ended June 30, 2019				
Stock options	Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting year	Weighted average stock price of stock options at exercise date (in dollars)
Outstanding options at the beginning of the period	188	$ 17.75	$17.0~20.2		$ 71.50
Options exercised	(93)	-			
Outstanding options at the end of the period	95	18.06	17.0~20.2	0 year~ 0.5 year	126.96
Exercisable options at the end of the period	95				

Stock options	Six-month period ended June 30, 2018 Quantity (in thousand units)	Weighted average exercise price (in dollars)	Range of exercise price (in dollars)	Weighted average remaining vesting year	Weighted average stock price of stock options at exercise date (in dollars)
Outstanding options at the beginning of the period	871	$ 19.23	$17.5~20.8		$ 84.32
Options granted	(4)	-			
Options forfeited	(310)	-			
Outstanding options at the end of the period	557	19.05	17.5~20.8	0 year~ 1.5 years	75.76
Exercisable options at the end of the period	75				

D. For the six-month periods ended June 30, 2019 and 2018, the Company issued 93 thousand and 310 thousand shares of ordinary shares relative to the exercise of employee share options in accordance with the employee share options plan. As of June 30, 2019, December 31, 2018 and June 30, 2018, there are 0, 50 thousand and 23 thousand shares which have not yet completed the registration, and were accounted as advance receipts for ordinary share amounting to $0, $500 and $230, respectively.

E. For the three-month and six-month periods ended June 30, 2019 and 2018, the Group recognised expenses on share-based payment transaction (equity settlement) and the cost of treasury shares reissued as employees' compensation was $0, $119, $0 and $237, respectively.

(17) Share capital

A. As of June 30, 2019, the Company's authorised capital was $1,200,000, and the paid-in capital was $837,323, consisting of 83,732,340 shares, with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

	2019 Ordinary shares	2018 Ordinary shares
At January 1	83,011,582	80,703,285
Employee stock options exercised	143,000	300,000
Conversion of convertible bonds	577,758	1,654,668
At June 30	83,732,340	82,657,953

B. Treasury shares

(a) Reason for share reacquisition and movements in the number of the Company's treasury shares are as follows:

Name of company holding the shares	Reason for reacquisition	June 30, 2019	
		Number of shares	Carrying amount
The Company	To be reissued to employees	1,592	$ 120,073

Name of company holding the shares	Reason for reacquisition	December 31, 2018	
		Number of shares	Carrying amount
The Company	To be reissued to employees	2,392	$ 185,473

Name of company holding the shares	Reason for reacquisition	June 30, 2018	
		Number of shares	Carrying amount
The Company	To be reissued to employees	2,392	$ 185,482

(b) Pursuant to the R.O.C. Securities and Exchange Act, the number of shares bought back as treasury share should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realised capital surplus.

(c) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should not be pledged as collateral and is not entitled to dividends before it is reissued.

(d) Pursuant to the R.O.C. Securities and Exchange Act, treasury shares should be reissued to the employees within three years from the reacquisition date and shares not reissued within the three-year period are to be retired.

(18) Capital surplus

	2019				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Employee stock options	Stock warrants	Total
At January 1	$ 654,122	$ 4,050	$ 25,145	$ 3,603	$ 686,920
Issue of convertible bonds	-	-	-	31,340	31,340
Conversion of corporate bonds payable	22,283	-	-	(962)	21,321
Employee stock options exercised	1,450	-	(759)	-	691
Treasury stock transferred to employees	-	-	(1,288)	-	(1,288)
At June 30	$ 677,855	$ 4,050	$ 23,098	$33,981	$ 738,984

	2018				
	Share premium	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Employee stock options	Stock warrants	Total
At January 1	$ 562,936	$ 4,050	$ 23,205	$ 7,120	$ 597,311
Conversion of corporate bonds payable	77,063	-	-	(3,302)	73,761
Employee stock options exercised	4,408	-	652	-	5,060
Compensation cost of share-based payments	-	-	237	-	237
At June 30	$ 644,407	$ 4,050	$ 24,094	$ 3,818	$ 676,369

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the

Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

(19) Retained earnings

A. If the Company has any profit for the current year, it shall first be used to pay all taxes and offset prior year's operating losses, then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. In accordance with the regulations, the Company shall set aside or reverse special reserve. The remaining amount plus prior year's unappropriated earnings is the distributable retained earnings which can be distributed through the proposal of the Board of Directors and resolved by the shareholders.

B. The dividend policies of the Group are established by the Board of Directors based on the Group's operating plan, investment schedule, capital budget and internal and external environment, etc. Retained earnings can be distributed in form of cash or shares and cash dividends shall not be lower than 10% of total dividends distributed.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

E. The appropriations of earnings for the years ended December 31, 2018 and 2017 resolved by the shareholders during their meeting in June 2019 and 2018, respectively, are as follows:

	Years ended December 31,			
	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 23,299		$ 29,015	
Special reserve	11,222		-	
Cash dividends	125,226	$ 1.50 (Note)	162,661	$ 2.00 (Note)
	$ 159,747		$ 191,676	

Note: Changes in the number of outstanding shares were affected by the exercise of employee share options, the conversion from convertible bonds to common shares, and capital increase by cash. Due to the resolution adopted by the Board of Directors, the Group adjusted the shareholder yield based on the actual number of outstanding shares.

F. For the information relating to employees' compensation (bonuses) and directors' and supervisors' remuneration, please refer to Note 6(23).

(20) Other income

	Three-month periods ended June 30, 2019	Three-month periods ended June 30, 2018
Sample revenue	$ 25,517	$ 9,186
Government grant revenues	1,651	2,947
Rent income	255	4,305
Mold income	-	2,648
Others	1,888	1,582
	$ 29,311	$ 20,668

	Six-month periods ended June 30, 2019	Six-month periods ended June 30, 2018
Sample revenue	$ 35,489	$ 15,734
Government grant revenues	4,245	5,433
Rent income	3,818	5,900
Mold income	1,598	9,619
Others	2,630	2,627
	$ 47,780	$ 39,313

(21) Other gains and losses

	Three-month periods ended June 30, 2019	Three-month periods ended June 30, 2018
Net currency exchange gains	$ 22,976	$ 50,772
Losses on disposal of property, plant and equipment	(449)	(520)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	3,600	(88)
Other losses	-	322
	$ 26,127	$ 50,486

	Six-month periods ended June 30, 2019	Six-month periods ended June 30, 2018
Net currency exchange gains	$ 11,355	$ 6,002
Losses on disposal of property, plant and equipment	(2,305)	(976)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	4,015	(75)
Other losses	(64)	(298)
	$ 13,001	$ 4,653

(22) Finance costs

	Three-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank borrowings	$ 3,191	$ 2,794
Convertible bonds	737	102
Accounts receivable factoring expenses	3,414	2,489
Interest expense on lease liabilities	714	-
Finance costs	$ 8,056	$ 5,385

	Six-month periods ended June 30,	
	2019	2018
Interest expense:		
Bank borrowings	$ 7,788	$ 4,072
Convertible bonds	772	483
Accounts receivable factoring expenses	7,508	3,560
Interest expense on lease liabilities	1,475	-
Finance costs	$ 17,543	$ 8,115

(23) Employee benefit expense, depreciation and amortisation

	Three-month periods ended June 30,	
	2019	2018
Employee benefit expense		
Wages and salaries	$ 320,559	$ 260,927
Labour and health insurance fees	10,194	7,886
Pension costs	12,118	8,798
Other personnel expenses	19,533	18,927
	$ 362,404	$ 296,538
Depreciation	$ 59,914	$ 34,058
Amortisation	$ 5,702	$ 5,355

	Six-month periods ended June 30,	
	2019	2018
Employee benefit expense		
Wages and salaries	$ 672,079	$ 515,177
Labour and health insurance fees	19,754	15,677
Pension costs	23,470	16,763
Other personnel expenses	39,455	37,962
	$ 754,758	$ 585,579
Depreciation	$ 109,646	$ 68,306
Amortisation	$ 11,367	$ 9,798

A. A ratio of profit of the current year distributable (profit before tax, employees' compensation and directors' and supervisors' remuneration), shall be distributed as employees' compensation and directors' and supervisors' remuneration. The ratio shall not be lower than 3%~15% for employees' compensation and shall not be higher than 1.5% for directors' and supervisors' remuneration. The appropriation for employees' compensation and directors' and supervisors' remuneration should be reported to shareholders during their meeting.

If the Company has accumulated deficit, earnings should be reserved to cover losses and then be appropriated as employees' compensation and directors' and supervisors' remuneration based on the abovementioned ratios.

B. For the three-month and six-month periods ended June 30, 2019 and 2018, employees' compensation was accrued at \$9,444, \$1,963, \$17,713 and \$2,009, respectively; while directors' and supervisors' remuneration was accrued at \$2,159, \$448, \$4,049 and \$459, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 3.5% and 0.8% of profit of current year distributable as of the end of reporting period.

Employees' compensation and directors' and supervisors' remuneration for 2018 as resolved by the Board of Directors were \$10,155 and \$2,231, respectively, and were in agreement with those amounts recognised in the 2018 financial statements.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(24) Income tax

A. Components of income tax expense:

	Three-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	\$ 57,341	\$ 6,555
Tax on undistributed surplus earnings	3,662	9,847
Prior year income tax overestimation	(1,950)	(1,712)
Total current tax	\$ 59,053	\$ 14,690
Deferred tax:		
Origination and reversal of temporary differences	2,744	9,536
Income tax expense	\$ 61,797	\$ 24,226

	Six-month periods ended June 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 117,132	$ 6,555
Tax on undistributed surplus earnings	3,662	9,847
Prior year income tax overestimation	(1,950)	(1,712)
Total current tax	$ 118,844	$ 14,690
Deferred tax:		
Origination and reversal of temporary differences	3,098	8,228
Impact of change in tax rate	-	(1,029)
Income tax expense	$ 121,942	$ 21,889

B. The Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(25) Earnings per share

	Three-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 226,120	82,140	$ 2.75
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 226,120	82,140	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	97	
Employees' compensation	-	193	
Convertible bonds	618	4,667	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 226,738	87,097	$ 2.60

	Three-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 36,693	80,680	$ 0.45
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 36,693	80,680	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	469	
Employees' compensation	-	200	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 36,693	81,349	$ 0.45

	Six-month period ended June 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 414,189	81,736	$ 5.07
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 414,189	81,736	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	97	
Employees' compensation	-	193	
Convertible bonds	618	4,667	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 414,807	86,693	$ 4.78

	Six-month period ended June 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 43,863	80,112	$ 0.55
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 43,863	80,112	
Assumed conversion of all dilutive potential ordinary shares			
Employee stock options	-	469	
Employees' compensation	-	200	
Shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 43,863	80,781	$ 0.54

For the three-month period ended June 30, 2018, the Group's convertible bonds were not included in the calculation of diluted earnings per share due to its anti-dilutive effect.

(26) Supplemental cash flow information

Investing activities with partial cash payments

	Six-month periods ended June 30,	
	2019	2018
Purchase of property, plant and equipment	$ 308,706	$ 73,209
Add: Opening balance of payable on equipment	29,652	2,130
Less: Ending balance of payable on equipment	(100,170)	(10,533)
Cash paid during the period	$ 238,188	$ 64,806

(27) Change in liabilities from financing activities

For the six-month periods ended June 30, 2019 and 2018, liabilities from financing activities include short-term borrowings, short-term notes and bills payable as well as bonds payable. Changes in those items result from cash flow from financing activities, discount amortisation, bonds converted to common stocks and changes in exchange rate. The summarised amounts are as follows and other information is provided in consolidated statements of cash flows.

	2019	2018
At January 1	$ 759,544	$ 367,640
Changes in cash flow from financing activities	85,636	332,270
Changes in other non-cash items	(69,021)	(90,230)
Impact of changes in foreign exchange rate	3,488	(1,878)
At June 30	$ 779,647	$ 607,802

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
ZONG HONG (KUNSHAN) CO., LTD.	Associate
JCD OPTICAL (CAYMAN) CO., LTD.	Associate
JCD OPTICAL CO., LTD.	Associate
JCD (GUANGZHOU) OPTICAL CORPORATION	Associate
JCD OPTICAL INTERNATIONAL CO., LTD. (Taiwan Branch)	Associate

(2) Significant related party transactions

A. Purchases

	Three-month periods ended June 30,	
	2019	2018
Purchases of goods:		
Associates	$ 6,670	$ 16,486

	Six-month periods ended June 30,	
	2019	2018
Purchases of goods:		
Associates	$ 16,505	$ 30,951

B. Other income

	Three-month periods ended June 30,	
	2019	2018
Rent income:		
JCD (Guangzhou)	$ 1,512	$ 2,947
Other income:		
Associates	292	372
	$ 1,804	$ 3,319

	Six-month periods ended June 30,	
	2019	2018
Rent income:		
JCD (Guangzhou)	$ 3,562	$ 5,858
Associates	-	42
Other income:		
Associates	582	811
	$ 4,144	$ 6,711

The Group leased plant to related parties. The price was based on mutual agreement, and the rent is payable monthly.

C. Other receivables from related parties:

	June 30, 2019	December 31, 2018	June 30, 2018
Other receivables:			
Associates	$ 2,215	$ 4,481	$ 4,546

D. Payables to related parties

	June 30, 2019	December 31, 2018	June 30, 2018
Accounts payable:			
Associates	$ 7,274	$ 19,512	$ 18,631

The payables to related parties arise mainly from purchase transactions, and the credit term was 3 to 4 months which is the same with general suppliers.

(3) Key management compensation

	Three-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 2,509	$ 2,855

	Six-month periods ended June 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 8,442	$ 5,890

8. PLEDGED ASSETS

The Group's assets pledged as collateral, mortgaged or restricted are as follows:

	Book value			
Pledged asset	June 30, 2019	December 31, 2018	June 30, 2018	Purpose
Other current assets - time deposits	$ 1,514	$ 1,513	$ 1,509	Customs guarantee, foreign tax guarantee and long-term borrowings guarantee

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Property, plant and equipment	$ 288,215	$ 195,626	$ 33,850

B. Operating lease agreements

The Group leases plant and office under operating lease agreements. Most of the lease agreements can be renewed at the end of the lease period based on market price.

The future aggregate minimum lease payments under the operating leases are as follows:

	December 31, 2018	June 30, 2018
Not later than one year	$ 17,152	$ 38,101
Later than one year but not later than five years	11,657	178,880
Over five years	-	44,720
	$ 28,809	$ 261,701

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust accounts receivable factoring, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

(2) Financial instruments

A. Financial instruments by category

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets			
Financial assets at fair value through profit or loss	$ -	$ 11	$ 59
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	11,610	10,740	10,199
Accounts receivable to be factored	668,984	326,784	115,348
Financial assets at amortised cost	2,441,177	2,634,076	2,538,701
	$ 3,121,771	$ 2,971,611	$ 2,664,307
Financial liabilities			
Financial liabilities at fair value through profit or loss	$ 2,880	$ -	$ -
Financial liabilities at amortised cost	3,272,536	3,431,798	3,037,543
Lease liability	76,873	-	-
	$ 3,352,289	$ 3,431,798	$ 3,037,543

Note: Financial assets at amortised cost include cash, accounts and notes receivable that are not measured at fair value through other comprehensive income and other receivables; financial liabilities at amortised cost include short-term borrowings, short-term notes and bills payable, accounts and notes payable, other payables and bonds payable (including current portion).

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's financial policy tends toward conservatism principle, therefore the Group does not operate the high-risk and complex derivative financial instruments.

(b) Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from different functional currency used by the Company and its subsidiaries, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The Group's purchases and sales were calculated by USD, the fair value will be changed along with the market exchange. However, the Group offset the foreign exchange risk through holding assets and liabilities denominated in foreign currencies, collection period and payment period.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2019				
				Sensitivity analysis	
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 78,430	31.060	$ 2,436,036	1%	$ 24,360
USD:RMB	42,535	6.8747	1,321,137	1%	13,211
Non-monetary items					
Foreign operations					
USD:NTD	$ 3,862	31.060	$ 119,954		
RMB:NTD	382,368	4.521	1,728,686		
Financial liabilities					
Monetary items					
USD:NTD	$ 39,003	31.060	$ 1,211,433	1%	$ 12,114
USD:RMB	36,750	6.8747	1,141,455	1%	11,415

	December 31, 2018				
				Sensitivity analysis	
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 80,534	30.715	$ 2,473,602	1%	$ 24,736
USD:RMB	60,153	6.8632	1,847,599	1%	18,476
Non-monetary items					
Foreign operations					
USD:NTD	$ 4,269	30.715	$ 131,122		
RMB:NTD	339,285	4.4720	1,517,283		
Financial liabilities					
Monetary items					
USD:NTD	$ 59,816	30.715	$ 1,837,248	1%	$ 18,372
USD:RMB	38,987	6.8632	1,197,486	1%	11,975

	June 30, 2018				
				Sensitivity analysis	
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)	Degree of variation	Effect on profit or loss
(Foreign currency: functional currency)					
Financial assets					
Monetary items					
USD:NTD	$ 68,630	30.460	$ 2,090,470	1%	$ 20,905
USD:RMB	50,007	6.6166	1,523,213	1%	15,232
Non-monetary items					
Foreign operations					
USD:NTD	$ 4,671	30.460	$ 142,279		
RMB:NTD	306,253	4.5930	1,406,620		
Financial liabilities					
Monetary items					
USD:NTD	$ 44,354	30.460	$ 1,351,023	1%	$ 13,510
USD:RMB	43,712	6.6166	1,331,468	1%	13,315

v. For the three-month and six-month periods ended June 30, 2019 and 2018, the total amount of exchange gain (loss) were \$22,976, \$50,772, \$11,355 and \$6,002 (including realised and unrealised), arising from significant foreign exchange variation on the monetary items held by the Group, respectively.

<u>Price risk</u>

The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

<u>Cash flow and fair value interest rate risk</u>

i. The Group's interest rate risk arises from short-term borrowings and long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. During the six-month periods ended June 30, 2019 and 2018, the Group's borrowings at variable rate were denominated in the NTD and USD.

ii. At June 30, 2019 and 2018, if interest rates on USD-denominated and NTD-denominated borrowings had been 0.1% higher/lower with all other variables held constant, there will be no significant impact on post-tax profit for the six-month periods ended June 30, 2019 and 2018.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms.

ii. The Group's receivables mostly are computer companies which have good credit records and well-known worldwide. They have no critical bad debts recently, and the Group assesses the adequacy of allowance for bad debts regularly. There is no significant credit risk through assessment.

iii. Other accounts receivable mainly arise from the retention of accounts receivable factoring and unadvanced proceeds. The counterparties are financial institutions with high credit quality.

iv. If the contract payments are past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition. If the contract payments are past due over 90 days based on the terms, the default occurs.

v. The Group uses the forecastability to adjust historical and timely information to assess the default possibility of accounts receivable. On June 30, 2019, December 31, 2018, June 30, 2018, the provision matrix is as follows:

June 30, 2019	Not past due	1 to ~ 90 days past due	90 to ~ 180 days past due	Over 180 days past due	Total
Expected loss rate	0.02%	0.03%	0.13%	70.44%	
Total book value	$2,501,575	$ 84,758	$ 1,510	$ 6,374	$2,594,217
Loss allowance	$ 600	$ 26	$ 2	$ 4,490	$ 5,118

	December 31, 2018				
December 31, 2018	Not past due	1 to ~ 90 days past due	90 to ~ 180 days past due	Over 180 days past due	Total
Expected loss rate	0.03%	0.03%	0.11%	82.20%	
Total book value	$2,398,101	$ 50,102	$ 1,741	$ 5,326	$2,455,270
Loss allowance	$ 665	$ 17	$ 2	$ 4,378	$ 5,062

June 30, 2018	Not past due	1 to ~ 90 days past due	90 to ~ 180 days past due	Over 180 days past due	Total
Expected loss rate	0.03%	0.04%	0.11%	87.78%	
Total book value	$2,025,688	$144,314	$ 7,946	$ 4,827	$2,182,775
Loss allowance	$ 580	$ 53	$ 9	$ 4,237	$ 4,879

vi. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	2019
	Accounts receivable
At January 1	$ 5,062
Effect of exchange rate changes	56
As of June 30	$ 5,118

	2018
	Accounts receivable
At January 1_IAS 39	$ 4,904
Adjustments under new standards	-
At January 1_IFRS 9	4,904
Effect of exchange rate changes	(25)
As of June 30	$ 4,879

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the abovementioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities.

Except for the following, maturity dates of the Group's non-derivative financial liabilities (including short-term borrowings, accounts payable (including related parties), other payables and bonds payable) are lower than 360 days as of June 30, 2019, December 31, 2018 and June 30, 2018.

	Less than 1 year	Between 1 and 2 years	Between 3 and 5 years	Total
Non-derivative financial liabilities				
Lease liability	$ 35,392	$ 44,175	$ 397	$ 79,964
Bonds payable	-	-	557,654	557,654
	$ 35,392	$ 44,175	$ 558,051	$ 637,618
Derivative financial liabilities				
Financial liabilities at fair value through profit or loss	$ -	$ -	$ 2,880	$ 2,880

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. The carrying amounts of the Group's financial instruments not measured at fair value (including cash and cash equivalents, notes and accounts receivable that are not measured at fair value through other comprehensive income, other receivables, short-term borrowings, notes payable, accounts payable, other payables and bonds payable) are approximate to their fair values.

C. The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through other comprehensive income				
- Equity securities	$ -	$ -	$ 11,610	$ 11,610
- Accounts receivable to be factored	-	668,984	-	668,984
	$ -	$ 668,984	$ 11,610	$ 680,594
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
- Derivative instruments	$ -	$ 2,880	$ -	$ 2,880

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
- Derivative instruments	$ -	$ 11	$ -	$ 11
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	10,740	10,740
- Accounts receivable to be factored	-	326,784	-	326,784
	$ -	$ 326,795	$ 10,740	$ 337,535

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
- Derivative instruments	$ -	$ 59	$ -	$ 59
Financial assets at fair value through other comprehensive income				
- Equity securities	-	-	10,199	10,199
- Accounts receivable to be factored	-	115,348	-	115,348
	$ -	$ 115,407	$ 10,199	$ 125,606

D. The methods and assumptions the Group used to measure fair value are as follows:

The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques and option pricing models. Forward exchange contracts are usually valued based on the current forward exchange rate. Structured interest derivative instruments are measured by using appropriate option pricing models (i.e. Black-Scholes model) or other valuation methods, such as Monte Carlo simulation.

E. For the six-month periods ended June 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

F. For the six-month periods ended June 30, 2019 and 2018, there was no transfer into or out from Level 3.

G. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value June 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 11,610	Discounted cash flow	Long-term revenue growth rate	3%	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

	Fair value Decemebr 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 10,740	Discounted cash flow	Long-term revenue growth rate	3%	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

	Fair value June 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 10,199	Discounted cash flow	Long-term revenue growth rate	3%	The higher the long-term revenue growth rate and long-term pre-tax operating margin, the higher the fair value

H. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

Financial assets	Contract period	Input	Change	Recognised in other comprehensive income	
				Favourable change	Unfavourable change
Equity instruments	June 30, 2019	$ 11,610	±1%	$ 116	($ 116)

Financial assets	Contract period	Input	Change	Recognised in other comprehensive income	
				Favourable change	Unfavourable change
Equity instruments	December 31, 2018	$ 10,740	±1%	$ 107	($ 107)

Financial assets	Contract period	Input	Change	Recognised in other comprehensive income	
				Favourable change	Unfavourable change
Equity instruments	June 30, 2018	$ 10,199	±1%	$ 102	($ 102)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: None.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid in capital or more: Please refer to table 4.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

I. Derivative financial instrument transactions: Please refer to Notes 6(2) and 12.

J. Significant inter-company transactions during the reporting periods: Please refer to table 6.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 7.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 8.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 6.

14. SEGMENT INFORMATION

General information

The Group is primarily engaged in the manufacture, processing and sale of thermal module. The operating decision maker operates business in line with different appliances of thermal module, which is distinguished as computer and non-computer thermal module. The segments of computer thermal module and non-computer thermal module have been aggregated into one reportable segment as they have similar average gross margins and similar expected cost rates and meet the condition of aggregation.