Stock Code: 3264

Ardentec

A testing partner you can trust

欣銓科技股份有限公司

# 2018 Annual Report

**Links to websites related to this annual report**
**Market Observation Post System**
**http://mops.twse.com.tw**
**Company website**
**http://www.ardentec.com**

Issued on April 24, 2019

I. Spokesperson and deputy spokesperson's names, titles, contact numbers and e-mail addresses

Spokesperson name: Leslie Guh
Title: Division Director
Contact Number: 03-597-6688
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Deputy spokesperson name: Alan Chiang
Title: Manager
Contact Number: 03-597-6688
Email: alan.chiang@ardentec.com

II. Ardentec Head Office/Branch/Fab addresses and telephone numbers

Head Office/T-Site/Hsinchu Science Park Branch: No. 3, Gongye 3rd Rd., Shengli Vil., Hukou Township, Hsinchu County
Tel: 03-597-6688
K-Site: No. 24, Wenhua Rd., Fengshan Vil., Hukou Township, Hsinchu County
Tel: 03-597-6688
G-Site: No. 9, Renyi Rd., Fengshan Vil., Hukou Township, Hsinchu County
Tel: 03-597-6688
P-Site: 6F, No. 12 Guangfu N. Rd., Hunan Vil., Hukou Township, Hsinchu County
Tel: 03-597-6688

III. Stock transfer agency's name, address, URL and telephone number

Name: Transfer Agency Department, CTBC Bank
Address: 5F, No. 83, Section 1 Chongqing South Road, Taipei City
Website: http://www.ctbcbank.com
Tel: 02-6636-5566

IV. Auditor's name, firm, address, URL and telephone number

Name of auditors: Irene Wen CPA, Lin, Yu-Kuan CPA
Name of firm: PricewaterhouseCoopers Taiwan
Address: 27F, No. 333, Section 1 Keelung Road, Taipei City
Website: http://www.pwc.tw/
Tel: 02-2729-6666

V. Overseas Securities Listing Exchange and Information: None.

VI. Company website: http://www.ardentec.com

VII. Publication of information required for initial listing on (overseas) emerging stock market: Not applicable.

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**Note：This English version is a translation based on the original Chinese version. Where any discrepancy arises between the two versions, the Chinese version shall prevail.**

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# Chapter 1　Letter to Shareholders

I. 2018 Business Results

(I) Business Plan Implementation

World Semiconductor Trade Statistics (WSTS) reported that the global semiconductor market grew by 13.7% between 2017 and 2018 to reach total sales of 468.8 billion USD. The global semiconductor market surpassed the 400 billion USD mark for the first time in 2017. Climbing memory prices as well as growing demand from automotive electronics and industrial semiconductors meant that the market continued to grow strongly in 2018. Analysis showed that growth in 2018 was mainly due to an increase in average memory semiconductor prices. The continued weakness in mobile phone demand meant that logic products grew few by just 5.1%.

Thanks to the effort of our employees as well as the support of our shareholders and customers, Ardentec achieved individual and consolidated operating revenues for 2018 reaching 6,473,474 thousand NTD and 8,443,804 thousand NTD respectively. Annual growth rates were 9.8% and 7.4%, with a net income after tax of 1,548,542 thousand NTD and earnings per share of 3.31 NTD.

The business philosophy of Ardentec is to focus on the core business. That's why we have continued to improve our testing technologies in order to track and adapt to market trends and developments. In terms of R&D, we continued to invest and develop testing technologies and their corresponding management systems for high-quality, high-standard products such as automotive electronics and cyber-security. We are now ready to welcome a fully electronic and smart revolution in the automotive industry. At the same time, we are actively working on the development of advanced Wafer Level Chip Scale Packaging (WLCSP) processes, testing solutions for image processing IC, the development and testing of power management and analog IC, and testing technologies for radio frequency devices. The width and depth of our company's services are now being developed and refined in response to the vibrant development of Internet-of-Things, Artificial Intelligence (AI) industry and automotive electronics.

Faced with external competition and challenges, we continued to look for new opportunities for, to accelerate our R&D progress and focus all of our efforts on the development of new customers. Doing so will give us the advantages in competitive niche and growth. We are also working actively to expand the scope of our testing services and provide more in-depth customer services through our subsidiary Giga Solution for providing RF professional testing services and investment in Raytek, a semiconductor foundry that specializes in WLCSP. The Nanjing site that we established in 2017 entered production in 2018 as well and should generate long-term growth for the company.

As for the global economic outlook in 2019, the industry as a whole will grow at a slower rate due to the US-China trade war, a softening in memory market prices, and slower growth in the smart phone market. Nevertheless, many new applications and trends such as 5G, Internet-of-Things (IoT), AI and automotive electronics are still under development in the industry. Once all of the uncertainty is eliminated, this wave of data-driven innovation may very well take the semiconductor industry to new heights.

(II) Budget execution: Ardentec did not publicly disclose financial forecasts for 2018.

(III) Analysis of Income and Profitability

Unit: Thousand NTD

| Analytical item \ Year | | 2017 | 2018 | Change (%) |
|---|---|---|---|---|
| Financial income | Operating revenues | 7,860,015 | 8,443,804 | 7.43% |
| | Gross profit | 2,457,641 | 2,841,152 | 15.60% |
| | Net profit of the term | 1,267,571 | 1,548,542 | 22.17% |
| Profitability | Return on assets (%) | 8.28 | 9.46 | 14.25% |
| | Return on equity (%) | 12.24 | 14.62 | 19.44% |
| | Pre-tax income to paid-in capital ratio (%) | 31.37 | 40.41 | 28.82% |
| | Net profit ratio (%) | 16.13 | 18.34 | 13.70% |
| | Earnings per share (NTD) | 2.73 | 3.31 | 21.25% |

(IV) Research and development

Due to market trends and our own expertise, Ardentec will focus on the development of 5G, IoT and AI testing technologies. More R&D personnel are now focusing on these areas as well. As Wide Band Gap (WBG) power devices are a critical component of rapidly developing fast charging and wireless charging applications, Ardentec is now developing testing technologies to complement new fab production processes. Significant progress has now been made.

To satisfy the functional and quality requirements of customer applications, Ardentec is continuing to refine and improve our testing technologies to keep pace with improvements in product specifications and production processes.

Information technology has always been another key R&D area for Ardentec along with testing technology. Improving production quality and efficiency in order to realize the twin goals of better product reliability/quality and lower testing costs has been our longstanding development policy. Current emphasis is now on using smart production to save manpower and human operator error. Progress has been made on automation of the testing platform for phase 1. Ardentec will therefore progressively automated all the different testing platforms in our manufacturing sites. Phase 2 is to use RFID for batch and jig management. Batch management has made some progress and will undergo real-world testing.

II. Outline of 2019 Business Plan

(I) Business strategy

i. Ardentec and our subsidiaries will use existing testing technologies and quality systems as a basis for the continued improvement and development of testing technologies. We will strive to serve world-class customers while maximizing returns for shareholders, employees and customers.

ii. Actively develop automotive electronics, cyber-security IC and other fields with high-quality testing requirements in order to become the No. 1 brand in that market. Focus all of our efforts on testing of logic and mixed-signal products, RF IC, high-performance analog IC and micro-electromechanical system (MEMS) IC in order to ensure our continued business/profit growth and industry leadership.

iii. Strengthen and expand services for strategic customers, actively expand our testing technology and production capacity of power management IC, and integrate Giga Solution's RF IC testing services to increase the number of target customers, boost customers' trust in the company and identify opportunities for steady growth.

iv. Actively compete for strategic customers by expanding the scope of services at our Singapore and Korea subsidiaries; Boost overall growth at Ardentec by investing in the Nanjing subsidiary to increase our production capacity and approach strategic customers and markets.

v. Upgrade the existing CIM, ERP and B2B automation systems to effectively realize the customer requirements for transparent, accurate and timely production information.

(II) Sales forecast and its basis

World Semiconductor Trade Statistics (WSTS) reported that the global semiconductor market grew by 13.7% between 2017 and 2018 to reach total sales of 468.8 billion USD. Market research firms expect semiconductor growth to hover between 2 ~ -1% in 2019 mainly due to over-supply in the memory-market and uncertainty in international economy. From market demand and it's expeced suggest that 5G communications, high-speed computing, AI, IoT, and self-driving vehicles will continue to drive semiconductor demand. However The US-China trade war has led to international economic uncertainty and conservative demand in the end-user market. All the international industry research firms were therefore quite conservative on the industry outlook for 2019. We will continue to be prudent with our investments, maintain robust management practices, refine our customer services and enhance our competitiveness. Continuous improvements in quality will give Ardentec an edge over our competitors so that we can continue to maximize profits for customers, shareholders, and employees.

(III) Key production and sales policies

i. Production strategy

1. Continue to improve efficiency, develop automated production technology and reduce costs in response to intensifying market competition and declining profit margins.
2. Continue expanding our testing capacity to keep pace with the output of advanced production processes at wafer foundries.
3. Invest in WLCSP fab to win more customers; Expand post-bumping testing in response to growing demand from RF, high-performance analog IC and Wafer Level Package (WLP) markets.
4. Expand capacity for final testing with a particular emphasis on micro-pitch and System-In-Package (SIP) testing.
5. Establish production capacity for high-performance IC and RF IC testing to cater for demand from the IoT market.

ii. Marketing strategy

1. Actively develop world-class domestic and overseas customers based on continued efforts in logical IC and mixed-signal IC.
2. Expand the wafer testing market for RF IC, high-performance power management IC and CIS IC to lay a solid foundation for the next wave of business growth.
3. Achieve steady and profitable growth through the development of automotive electronic and cyber-security product testing.

4. Cooperate with other domestic and overseas packaging & testing companies to compete for turnkey orders.
5. Take advantage of Japan's accelerated outsourcing strategy to expand our Japanese customer base.
6. Continue to develop the international wafer testing market in Singapore, Korea and Asia-Pacific.
7. Adapt to changes in the Red Supply Chain to actively develop the China market.

III. Future development strategy

Ardentec will not only continue to provide high-quality testing services but also engage in the development of advanced testing technologies. In addition to the expanding production lines for RF IC, high-performance analog IC and SIP-related testing, particular emphasis will be given to improving the testing environment and systems for cyber-security and automotive electronic products. Information system technology will be integrated to deliver testing services that offer higher quality, high efficiency and low cost.

The decline of the personal computer industry and the slowdown in the mobile phone industry mean that the traditional growth drivers have started to change in recent years. The next wave of growth can be expected to come from 5G communication components, fully electric vehicles, assisted and autonomous driving, the trend towards lighter, thinner and energy-saving portable products, as well as integration of IoT and AI applications. WLCSP post-bump services were introduced by Ardentec after the above trend was identified several years ago. Ardentec also integrated the RF testing service of Giga Solution and Raytek Semiconductor's investment in wafer level package fabs to provide customers with broader and more in-depth services to achieve faster, and more steady growth.

IV. Effects of the external competition, compliance and overall business environments

(I) External competition environment

i. The increasing complexity of product functions, rising costs, and shorter application life-cycles all make it difficult to achieve returns on investment in equipment and machinery. The withdrawal and consolidation of testing equipment companies have also led to less flexibility on equipment acquisition costs. All of these have put pressure on the profitability of our core business.

ii. New production processes are continuously being introduced by wafer foundries. The new materials and smaller IC in these new processes represent greater challenges to probe technology. Constant mergers among domestic and overseas packaging & testing companies as well as aggressive production expansion all suggest a future of even more intense competition.

iii. Customers are now increasingly insisting on turnkey, one-stop services. Other testing companies are therefore looking at building their own packaging capacity or integrating with assembly houses in a bid to provide more complete services. Ardentec will seek to win over customers through a strategy of service quality differentiation and closer proximity to wafer fabrication sites.

iv. The increasing maturity of the semiconductor market means large international players are now boosting their competitiveness through mergers and consolidation. The map of the global industry will undoubtedly be rewritten by this trend. The consolidation of customers will inevitably lead to a shakeup of the existing market and result in even more intense competition between peers in the future.

v. China designated the semiconductor industry as a strategic national industry in its 13th 5-year Plan for Economic Development. Massive resources are being poured into the semiconductor industry to increase its self-sufficiency. This represents not only a challenge but also new opportunities.

(II) Compliance environment

In addition to environmental laws and regulations, the semiconductor industry must now contend with an increasing number of product safety requirements. The slowdown in global economic growth, increasing protectionism as well as coopetition in regional economies will all undoubtedly lead to further upheavals in the compliance environment for the industry.

China's semiconductor policies and laws in recent years may impact on global semiconductor customers' willingness to place orders and their purchasing strategies. Taiwanese vendors should therefore prepare early and position themselves accordingly.

(III) Overall business environment

The semiconductor industry experienced a decade-long boom that finally began to run out steam in 2019 due to the impact of the US-China trade war on the global economy, the economic slowdown in China as well as weakening end-user demand. Ardentec will adapt plan more prudently to respond to this challenge in order to ensure our steady growth.

We would like to take this opportunity to thank all of our shareholders for your continued support and encouragement for Ardentec. We also hope that our shareholders can continue to offer your advice and support from this point on.

Chairman:Chih-Yuan Lu Presedient:Chi-Ming Chang Accounting Managerial Officer:Leslie Guh

# Chapter 2. Company Profile

I. Date of establishment: October 11, 1999

II. Company history:

| | | |
|---|---|---|
| 1999.10 | － | Ardentec Corporation established with a paid-in capital of 1,754,670,000 NTD. |
| 1999.12 | － | K-Site commissioned. |
| 2000.02 | － | Mass production begins. |
| 2000.08 | － | Cash capital increase of 250,000,000 NTD. Paid-in capital increased to 2,004,670,000 NTD. |
| 2001.04 | － | T-Site was commissioned. |
| 2001.05 | － | K-Site granted bonded factory status. |
| 2001.11 | － | Earning and employee bonuses converted into capital increase of 31,670,000 NTD. Paid-in capital increased to 2,036,340,000 NTD. |
| 2002.02 | － | T-Site was granted bonded factory status. |
| 2003.04 | － | Approval for public issue of shares granted by Securities and Futures Commission in Letter No. 0920109253 on April 14, 2003. |
| 2003.09 | － | Cash capital increase of 250,000,000 NTD. Paid-in capital increased to 2,286,340,000 NTD. |
| 2004.03 | － | Company shares registered on Emerging Stock Market. |
| | － | Cash capital increase of 300,000,000 NTD. Paid-in capital increased to 2,586,340,000 NTD. |
| 2004.09 | － | Earning and employee bonuses converted into capital increase of 158,387,780 NTD. Paid-in capital increased to 2,744,727,780 NTD. |
| 2004.11 | － | Employee stock option certificates worth 295,000 NTD from 2004 Q3 converted into ordinary shares. Paid-in capital increased to 2,745,022,780 NTD. |
| 2005.01 | － | Cash capital increase of 88,888,890 NTD. Paid-in capital increased to 2,833,911,670 NTD. |
| | － | Ardentec is listed on the Taipei Exchange. |
| 2005.03 | － | Employee stock option certificates worth 14,080,000 NTD from 2004 Q4 converted into ordinary shares. Paid-in capital increased to 2,847,991,670 NTD. |
| 2005.05 | － | Employee stock option certificates worth 6,045,000 NTD from 2005 Q1 converted into ordinary shares. Paid-in capital increased to 2,854,036,670 NTD. |
| 2005.08 | － | Surplus and employee bonuses worth 340,653,620 NTD converted into |

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| | | capital increase, and employee stock option certificates worth 1,565,000 NTD from 2005 Q2 converted into ordinary shares. Paid-in capital increased to 3,196,255,290 NTD. |
| 2005.10 | — | First issue of 800,000,000 NTD in domestic convertible bonds. |
| 2005.11 | — | Employee stock option certificates worth 1,672,500 NTD from 2005 Q3 converted into ordinary shares. Paid-in capital increased to 3,197,927,790 NTD. |
| 2006.02 | — | Employee stock option certificates worth 16,237,500 NTD from 2005 Q4 converted into ordinary shares. 35,396,000 NTD from first issue of domestic convertible bonds converted into ordinary shares. Paid-in capital increased to 3,249,561,290 NTD. |
| 2006.04 | — | Signed contract for 2 billion NTD in syndicated credit from syndicate banks. |
| 2006.06 | — | Ardentec Singapore Pte. Ltd. was established as Singapore subsidiary. |
| | — | Employee stock option certificates worth 13,900,000 NTD from 2006 Q1 converted into ordinary shares. 39,320,520 NTD from first issue of domestic convertible bonds converted into ordinary shares. Paid-in capital increased to 3,302,781,810 NTD. |
| 2006.09 | — | Surplus and employee bonus worth 311,511,730 NTD converted into capital increase, employee stock option certificates from 2006 Q2 worth 10,350,000 NTD converted into ordinary shares, and 131,886,000 NTD from first domestic issue of convertible bonds converted into ordinary shares. Paid-in capital increased to 3,756,529,540 NTD. |
| 2006.11 | — | Employee stock option certificates worth 5,522,500 NTD from 2006 Q3 converted into ordinary shares. Paid-in capital increased to 3,762,052,040 NTD. |
| 2007.04 | — | Employee stock option certificates worth 6,430,000 NTD from 2006 Q4 converted into ordinary shares. Paid-in capital increased to 3,768,482,040 NTD. |
| 2007.05 | — | Employee stock option certificates worth 16,280,000 NTD from 2007 Q1 converted into ordinary shares. 17,235,580 NTD from first issue of domestic convertible bonds converted into ordinary shares. Paid-in capital increased to 3,801,997,620 NTD. |
| | — | Surplus and employee bonus worth 146,366,640 NTD converted into capital increase, employee stock option certificates from 2007 Q2 worth 6,237,500 NTD converted into ordinary shares, and 1,851,080 NTD from first domestic issue of convertible bonds converted into ordinary shares. Paid-in capital increased to 3,956,452,840 NTD. |

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| 2007.11 | — | Employee stock option certificates worth 7,157,500 NTD from 2007 Q3 converted into ordinary shares. 28,054,280 NTD from first issue of domestic convertible bonds converted into ordinary shares. Paid-in capital increased to 3,991,664,620 NTD. |
| 2008.03 | — | Employee stock option certificates worth 8,882,500 NTD from 2007 Q4 converted into ordinary shares. 7,472,900 NTD from first issue of domestic convertible bonds converted into ordinary shares. Paid-in capital increased to 4,008,020,020 NTD. |
| 2008.05 | — | Employee stock option certificates worth 7,585,000 NTD from 2008 Q1 converted into ordinary shares. Paid-in capital increased to 4,015,605,020 NTD. |
| 2008.09 | — | Employee stock option certificates worth 5,305,000 NTD from 2008 Q2 converted into ordinary shares. Paid-in capital increased to 4,020,910,020 NTD. |
| 2008.11 | — | Surplus and employee bonuses worth 110,232,940 NTD converted into capital increase, and employee stock option certificates worth 1,192,500 NTD from 2008 Q3 converted into ordinary shares. Paid-in capital increased to 4,132,335,460 NTD. |
| 2009.02 | — | Employee stock option certificates worth 1,265,000 NTD from 2008 Q4 converted into ordinary shares. Paid-in capital increased to 4,133,600,460 NTD. |
| 2009.08 | — | Surplus and employee bonuses worth 286,411,370 NTD converted into capital increase, and employee stock option certificates worth 2,452,500 NTD from 2009 Q2 converted into ordinary shares. Paid-in capital increased to 4,422,464,330 NTD. |
| 2009.11 | — | Employee stock option certificates worth 1,995,000 NTD from 2009 Q3 converted into ordinary shares. Paid-in capital increased to 4,424,459,330 NTD. |
| 2010.04 | — | Signed contract for 2.28 billion NTD in syndicated credit from syndicate banks. |
| | — | Employee stock option certificates worth 3,000,000 NTD from 2010 Q1 converted into ordinary shares. Paid-in capital increased to 4,427,459,330 NTD. |
| 2010.09 | — | Employee stock option certificates worth 17,050,000 NTD from 2010 Q2 converted into ordinary shares. Paid-in capital increased to 4,444,509,330 NTD. |

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| 2010.11 | 一 | Employee stock option certificates worth 7,470,000 NTD from 2010 Q3 converted into ordinary shares. Paid-in capital increased to 4,451,979,330 NTD. |
| | 一 | G-Site commissioned. |
| 2010.12 | 一 | Ardentec Korea Co., Ltd. established as Korea subsidiary. |
| 2011.01 | 一 | Employee stock option certificates worth 32,395,000 NTD from 2010 Q4 converted into ordinary shares. Paid-in capital increased to 4,484,374,330 NTD. |
| | 一 | Ardentec Hsin-Chu Science Park Branch Company was established. |
| 2011.05 | 一 | Employee stock option certificates worth 17,385,000 NTD from 2011 Q1 converted into ordinary shares. Paid-in capital increased to 4,501,759,330 NTD. |
| 2011.06 | 一 | Korea fab was granted bonded factory status. |
| 2011.09 | 一 | Surplus worth 45,017,600 NTD converted into capital increase, and employee stock option certificates worth 1,050,000 NTD from 2011 Q2 converted into ordinary shares. Paid-in capital increased to 4,547,826,930 NTD. |
| 2011.11 | 一 | Employee stock option certificates worth 1,785,000 NTD from 2011 Q3 converted into ordinary shares. Paid-in capital increased to 4,549,611,930 NTD. |
| 2012.03 | 一 | Employee stock option certificates worth 20,000 NTD from 2011 Q4 converted into ordinary shares. Paid-in capital increased to 4,549,631,930 NTD. |
| 2012.05 | 一 | Employee stock option certificates worth 11,690,000 NTD from 2012 Q1 converted into ordinary shares. Paid-in capital increased to 4,561,321,930 NTD. |
| 2012.07 | 一 | Signed contract for 2.5 billion NTD in syndicated credit from syndicate banks. |
| 2012.09 | 一 | Surplus worth 45,613,220 NTD converted into capital increase, and employee stock option certificates worth 3,620,000 NTD from 2012 Q2 converted into ordinary shares. Paid-in capital increased to 4,610,555,150 NTD. |

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| 2012.11 | — | Employee stock option certificates worth 3,400,000 NTD from 2012 Q3 converted into ordinary shares. Paid-in capital increased to 4,613,955,150 NTD. |
| 2013.01 | — | Employee stock option certificates worth 5,060,000 NTD from 2012 Q4 converted into ordinary shares. Paid-in capital increased to 4,619,015,150 NTD. |
| 2013.06 | — | Published first Corporate Social Responsibility Report. |
| 2013.09 | — | Surplus worth 46,190,150 NTD converted into capital increase. Paid-in capital increased to 4,665,205,300 NTD. |
| 2014.03 | — | P-Site was commissioned. |
| 2014.05 | — | Issued 31,450,000 NTD in restricted stock awards. Paid-in capital increased to 4,696,655,300 NTD. |
| 2014.09 | — | Surplus worth 46,652,050 NTD converted into capital increase, and issued 18,400,000 NTD in restricted stock awards. Paid-in capital increased to 4,761,707,350 NTD. |
| 2014.10 | — | P-Site was granted bonded factory status. |
| 2015.10 | — | Retired 422,330 NTD in restricted stock awards. Surplus worth 47,617,070 NTD converted into capital increase. Paid-in capital increased to 4,808,902,090 NTD. |
| 2016.04 | — | Ardentec ranked in the top 20% of TPEx-listed companies by the 2nd Corporate Governance Evaluation. |
| 2016.09 | — | Acquired a 63.84% stake in Giga Solution Technology Co., Ltd. to boost overall competitiveness through public tender offer. |
| | — | Retired 1,118,000 NTD in restricted stock awards. Surplus worth 48,089,020 NTD converted into capital increase. Paid-in capital increased to 4,855,873,110 NTD. |
| 2017.01 | — | Ardentec Nanjing Co., Ltd. was established by investment through holding companies. |
| | — | Retired 120,000 NTD in restricted stock awards. Paid-in capital is now 4,855,753,110 NTD. |
| 2017.03 | — | Ardentec proposed a share swap with Giga Solution Technology Co., Ltd. to acquire all outstanding Giga Solution shares at a price of 24 NTD per share payable to Giga Solution shareholders (excluding Ardentec). The provisional baseline date for the share swap was set as August 30, 2017. Once the share swap is completed, Giga Solution will become a wholly-owned subsidiary of Ardentec. |

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| 2017.04 | — | Retired 90,000 NTD in restricted stock awards. Paid-in capital is now 4,855,663,110 NTD. |
| | — | Ardentec ranked in the top 20% of TPEx-listed companies by the 3rd Corporate Governance Evaluation. |
| | — | Ground breaking ceremony for Ardentec Nanjing Co., Ltd. |
| 2017.08 | — | Ardentec acquired 100% stake in Giga Solution Technology Co., Ltd. after share swap. |
| 2017.09 | — | Retired 1,050,000 NTD in restricted stock awards. Paid-in capital is now 4,854,613,110 NTD. |
| 2018.01 | — | Retired 252,000 NTD in restricted stock awards and issued the first lot of 4,600,000 restricted stock awards for 2017. Paid-in capital is now 4,900,361,110 NTD. |
| 2018.04 | — | Retired 399,000 NTD in restricted stock awards. Paid-in capital is now 4,899,962,110 NTD. |
| | — | Ardentec ranked in the top 5% of TPEx- listed companies by the 4th Corporate Governance Evaluation. |
| 2018.05 | — | Issued the second lot of 400,000 restricted stock awards for 2017. Paid-in capital increased to 4,903,962,110 NTD. |
| 2018.11 | — | Retired 710,350 NTD in restricted stock awards. Paid-in capital is now 4,903,251,760 NTD. |

Awards

| Award date | | Award | Award issuer |
|---|---|---|---|
| 2003.10 | — | T-Site rated as a Class A bonded factory by the Directorate General of Customs, Ministry of Finance. | Directorate General of Customs, Ministry of Finance |
| 2004.07 | — | 2nd place in export growth at the 2003 Award for Excellent Trading Business. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| 2004.10 | — | T-Site and K-Site both rated as Class A bonded factories by the Directorate General of Customs, MOF. | Directorate General of Customs, Ministry of Finance |
| 2005.07 | — | 8th place in export growth at the 2004 Award for Excellent Trading Business. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| | — | 48th in total imports and exports for 2004. | |
| 2008.10 | — | T-Site and K-Site both rated as Class A bonded factories. | Directorate General of Customs, Ministry of Finance |
| 2008.12 | — | CG6004 Corporate Governance System Evaluation Certification. | Taiwan Corporate Governance Association |
| 2009.08 | — | Presented with 2008 Excellent Importer and Exporter Certificate. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| 2009.10 | — | T-Site and K-Site both rated as Class A bonded factories. | Directorate General of Customs, Ministry of Finance |
| 2009.12 | — | Completed validation to obtain CG6005 Corporate Governance System Evaluation Certification. | Taiwan Corporate Governance Association |
| 2010.07 | — | 51th in imports and exports at 2009 Award for Excellent Trading Business. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| 2010.10 | — | T-Site, K-Site and G-Site are all rated as Class A bonded factories. | Directorate General of Customs, Ministry of Finance |

| Award date | | Award | Award issuer |
|---|---|---|---|
| 2011.08 | — | Premier's Award at the 2010 Award for Excellent Trading Business. | Ministry of Economic Affairs |
| | — | 1st place in export for key market development in Korea in 2010. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| | — | Top 500 importers and exporters for 2010. | |
| | — | 28th in total imports for 2010. | |
| 2011.12 | — | "Internal Compliance Program" certification (Korea site). | Ministry of Knowledge Economy, Korea |
| 2012.06 | — | Excellence in labor safety and health. | Council of Labor Affairs |
| 2012.07 | — | Top 500 importers and exporters for 2011. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| 2012.10 | — | T-Site, K-Site and G-Site are all rated as Class A bonded factories. | Directorate General of Customs, Ministry of Finance |
| 2013.02 | — | Identified as potential Taiwan Mittelstand enterprise in the 1st round of assessment. | Ministry of Economic Affairs |
| 2013.05 | — | CSR report given a B+ rating for GRI 3.1 compliance after BSI verification. | British Standards Institution (BSI) |
| 2014.05 | — | Special Recognition Award (ISO 14064 GHG) (Singapore site) | British Standards Institution (BSI) |
| 2014.10 | — | Singapore Sustainability Awards 2014 (Singapore site) | Singapore Business Association |
| 2014.11 | — | 2014 good safety and health manufacturer of Hsinchu Industrial Park. | Hsinchu Industrial Park Service Center, Industrial Development Bureau, Ministry of Economic Affairs |
| | — | 2nd place for exceptional performance in the site protection group among companies engaged in civil defense corps training for 2014. | Hsinchu County Government |

| Award date | | Award | Award issuer |
|---|---|---|---|
| 2014.12 | — | Sustainable Governance Practice Award. | British Standards Institution (BSI) |
| 2015.08 | — | T-Site, K-Site, G-Site and P-Site were all rated as Class A bonded factories. | Directorate General of Customs, Ministry of Finance |
| | — | Singapore Environmental Achievement Award Winner 2015 (Singapore site) | Singapore Environment Council (SEC) |
| 2015.10 | — | Singapore Sustainability Awards Winner 2015 (Singapore site) | Singapore Business Federation (SBF) |
| 2015.12 | — | Sustainable Governance Practice Award. | British Standards Institution (BSI) |
| 2016.07 | — | Key Market Development Contribution Prize in the Award for Excellent Trading Business. | Bureau of Foreign Trade, Ministry of Economic Affairs |
| 2016.12 | — | Corporate Social Responsibility Practice Award. | British Standards Institution (BSI) (BSI) |
| 2017.10 | — | 2017 Energy Efficiency National Partnership Award (Singapore site) | National Environment Agency, Singapore |
| 2017.11 | — | 2017 Business Continuity Pioneer Award. | British Standards Institution (BSI) (BSI) |
| | — | 2017 Year Sustainability Excellence Award. | British Standards Institution (BSI) (BSI) |
| 2018.07 | — | SME 100 2018 for Fast Moving Companies (Singapore site) | SME Magazine |
| 2018.11 | — | 2018 Year Sustainability Excellence Award. | British Standards Institution (BSI) (BSI) |
| | — | 3rd place for exceptional performance in the site protection group among companies engaged in civil defense corps training for 2018 | Hsinchu County Government |

Verification/Certification

| Starting Year | Headquarters | Subsidiaries | | | |
|---|---|---|---|---|---|
| | | Singapore | Korea | Nanjing | Giga |
| 2000 | ISO 9002 | | | | ISO 9002 |
| 2001 | | | | | ISO 9001 |
| 2002 | QS 9000 | | | | |
| 2003 | ISO 9001 | | | | |
| 2004 | ISO 14001 | | | | |
| | ISO/TS 16949 | | | | |
| 2007 | OHSAS 18001 | ISO 9001 | | | |
| 2008 | ISO /IEC 27001 | | | | |
| 2009 | TOSHMS | ISO 14001 | | | |
| | | OHSAS 18001 | | | |
| 2010 | ISO 14064 | ISO /IEC 27001 | | | |
| | IECQ QC080000 | | | | |
| | Authorized Economic Operator, AEO | | | | |
| 2011 | | ISO/TS 16949 | ISO 9001 | | ISO 14001 |
| 2012 | Internal Compliance Program (ICP) | ISO 14064 | ISO/TS 16949 | | |
| 2013 | CNS 15506 (Note 1) | Strategic Trade Scheme (STS) Tier 3 Permit | ISO 14001 | | |
| | Common Criteria (Site Certification) Tingshin Site | | OHSAS 18001 | | |
| | AA1000 AS | | | | |

| Starting Year | Headquarters | Subsidiaries | | | |
|---|---|---|---|---|---|
| | | Singapore | Korea | Nanjing | Giga |
| 2014 | ANSI/ESD S20.20 | Approved Contract Manufacturer and Trader (ACMT) | ISO /IEC 27001 | | |
| | Common Criteria (Site Certification) Kaiyuan Site | TradeFirst & STP Certificate | CP (Compliance Program) AA Grade | | |
| | ISO/IEC 17025 | Common Criteria (Site Certification) | Automatic Customs Approval | | |
| 2015 | Common Criteria (Site Certification) EAL 6(Note 2) | ISO 22301 | | | |
| | Health Promotion Mark for Healthy Workplace certification | | | | |
| 2016 | ISO 22301 | | | | |
| 2017 | | | | | ANSI/ESD S20.20 |
| 2018 | ISO 45001 | | IATF 16949 | ISO 9001 | IATF 16949 |
| | ISO 26262 | | | IATF 16949 | |
| | IATF 16949 | | | ISO/IEC 27001 | |

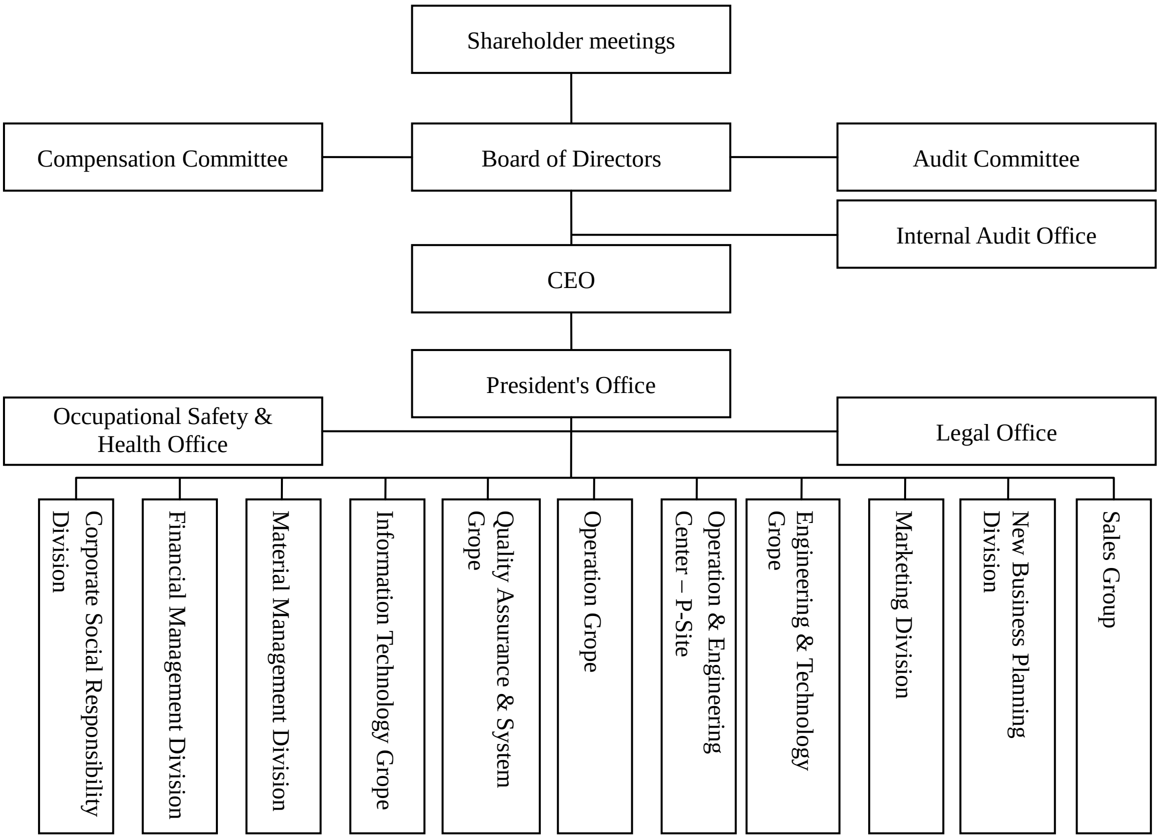
Note 1: No further applications for validation after 2015

Note 2: Includes the server rooms at Gaosheng and Baoqing Site

# Chapter 3. Corporate Governance Report

I. Organization

(I) Organization structure




(II) Major business units and functions

| Unit | Function |
|---|---|
| Internal Audit Office | Planning and execution of internal audit activities |
| Operations Group | All production and operational activities including testing & manufacturing, equipment engineering, final testing, production management & customer service, industrial engineering and plant engineering |
| Quality Assurance & System Group | Quality system and quality assurance; enforcement of quality policy |
| Engineering & Technology Group | The development of testing technologies as well as activities related to product and test engineering |

| Unit | Function |
|---|---|
| Sales Group, Marketing Division and New Business Planning Division | Sales activities, market and customer development, analysis of industry development trends, optimization of company growth and competitiveness |
| Operation and Engineering Center (P-Site) | Product management as well as activities related to product and test engineering at P-Site |
| Information Technology Group | Planning and deployment of information & communication system structure based on the company's strategic business development and management needs, information management, as well as improving the performance and effectiveness of information related to operational management. Provide information process integration services for the customer industry chain as well as information system services related to internal production and engineering |
| Corporate Social Responsibility Division | Promotion and management of the company and its suppliers' CSR performance to ensure compliance with the relevant management systems and customer guidelines; Planning and allocation of suitable human resources based on company operations and development strategy. Carry out HR development, management and employee services |
| Financial Management Division | Accounting and taxation management, fund management and investment planning, financial risk management, business and cost analysis, execution of related corporate governance matters, as well as investor relations management |
| Material Management Division | Material management, purchasing, import/export and bonded activity management |

II. Profile of Directors, Supervisors, President, Vice President, Senior Director and Department Directors

(I) Directors and Supervisors

April 1, 2019 Unit: Share

| Title | Nationality or place of registration | Name | Appointment Date | Gender | Term (Year) | Date of Initial Appointment | Shareholding at Appointment | | Current Shareholding | | Spouse, minor children current shareholding | | Shareholding by nominee arrangement | | Previous experience & academic background | Other current positions within the company and other companies | Spouse or relatives of second degree or closer acting as directors, supervisors, or other department heads | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | | | Title | Name | Relationship |
| Chairman | R.O.C. | Chih-Yuan Lu | 2017.06.28 | Male | 3 | 1999.10.01 | 5,289,611 | 1.09% | 5,488,611 | 1.12% | 265,204 | 0.05% | 0 | 0 | Ph.D. in Physics, Columbia University, U.S.A.<br>President, Ardentec Corporation<br>President, Vanguard International Semiconductor Corporation<br>Deputy General Director of ERSO, ITRI | CEO, Ardentec<br>Chairman, Sheng Tang Investment Ltd.<br>Chairman, Ardentec Semiconductor.,Ltd.<br>Director, Ardentec Singapore Pte. Ltd.<br>Director, Ardentec Korea Co., Ltd.<br>Director, Valucom Investment Inc.<br>Director, ValuTest Incorporated<br>Director and President, Macronix International Co., Ltd.<br>Director, Macronix (Hong Kong) Co., Ltd.<br>Chairman, Macronix America Inc.<br>Director, Macronix Europe NV.<br>Chairman, Giga Solution Technology Co., Ltd.<br>Independent Director, Hong Tai Electric Industrial Co., Ltd.<br>Board Director, Feng Chia University | None | None | None |
| Vice Chairman | R.O.C. | Chi-Ming Chang | 2017.06.28 | Male | 3 | 2005.06.03 | 3,602,070 | 0.74% | 3,901,070 | 0.80% | 0 | 0 | 0 | 0 | Ph.D. in Industrial Engineering, Texas Tech University, U.S.A.<br>Executive Vice President Ardentec Corporation<br>Division Director, Vanguard International Semiconductor Corporation<br>Deputy Division Director of ERSO, ITRI | President of Ardentec<br>Director, Sheng Tang Investment Ltd.<br>Director, Ardentec Semiconductor.,Ltd.<br>Director, Ardentec Singapore Pte. Ltd.<br>Director, Ardentec Korea Co., Ltd.<br>Director, Valutek, Inc.<br>Director, Valucom Investment Inc.<br>Director, ValuTest Incorporated<br>Chairman, Ardentec Nanjing Co., Ltd.<br>Director, Giga Solution Technology Co., Ltd. | None | None | None |

| | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Director | R.O.C. | Macronix International Co., Ltd. | 2017.06.28 | – | 3 | 1999.10.01 | 35,951,871 | 7.40% | 35,951,871 | 7.33% | 0 | 0 | 0 | 0 | – | – | None | None | None |
| | R.O.C. | Representative: Yen-Hie Chao | | Male | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Department of Material Science and Engineering, National Tsing Hua University<br>Deputy Manager of Manufacturing, Taiwan Semiconductor Manufacturing Co., Ltd.<br>Process Engineering, ERSO, ITRI | Vice President, Macronix International Co., Ltd. | | | |
| Director | R.O.C. | Kingwell Investment Inc. | 2017.06.28 | – | 3 | 2011.06.22 | 4,413,457 | 0.91% | 4,016,457 | 0.82% | 0 | 0 | 0 | 0 | – | – | None | None | None |
| | R.O.C. | Representative: Mickey Ken | | Male | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Master of Electronics Engineering, National Chiao Tung University<br>Division Director of Technical IP Division, Taiwan Semiconductor Manufacturing Co., Ltd.<br>Division Director of Product Technology Division, Vanguard International Semiconductor Corporation | Vice President of Product & Quality Assurance Center, Etron Technology Inc.<br>Representative Director, Bridge Semiconductor Corp. | | | |
| Director | R.O.C. | Homey Consulting Corporation | 2017.06.28 | – | 3 | 2017.06.28 | 40,000 | 0.01% | 40,000 | 0.01% | 0 | 0 | 0 | 0 | – | – | None | None | None |
| | R.O.C. | Representative: Ding-Hua Hu | | Male | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | PhD in Electrical Engineering, University of Missouri, USA<br>Professor and Head of Department of Engineering, National Chiao Tung University<br>President, Han Ding Co., Ltd.<br>Chairman, Taiwan Venture Capital Association<br>Executive Vice President, Industrial Technology Research Institute<br>General Director, Electronic and Optoelectronic System Research Laboratories | Chairman, Homey Consulting Corporation<br>Chairman, Jian Xu Investment Company<br>Representative Director, Personal Genomics taiwan,inc.<br>Representative Director, ZOWIE Technology Corporation<br>Representative Director, Macronix International Co., Ltd.<br>Representative Supervisor, Andes Technology Co., Ltd. | | | |

April 1, 2019 Unit: Share

| Title | Nationality or place of registration | Name | Appointment Date | Gender | Term (Year) | Date of Initial Appointment | Shareholding at Shareholding | | Current Shareholding | | Spouse, minor children Current shareholding | | Shareholding by nominee arrangement | | Previous Experience & Academic Background | Other current positions within the Company | Spouse or relatives of second degree or closer acting as Directors, Supervisors, or other department heads | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | | | Title | Name | Relationship |
| Director | R.O.C. | Chiu Chiang Investment Co., Ltd. | 2017.06.28 | _ | 3 | 2008.06.13 | 3,344,138 | 0.69% | 1,844,138 | 0.38% | 0 | 0 | 0 | 0 | — | — | None | None | None |
| | R.O.C. | Representative: Jing Amy Chao | | Female | | | 524,332 | 0.11% | 524,332 | 0.11% | 0 | 0 | 0 | 0 | Master of Economics, California State University, USA<br>CFO, Chinatimes Inc.<br>Executive Director, China Television Co., Ltd.<br>Supervisor, CTI Television Inc. | Director, DerMauShin Capital Co., Ltd.<br>Director, Taiwan Lottery Co., Ltd.<br>Director, China Times Publishing Co.<br>Director, Hou Chuang (joint stock) Co., Ltd.<br>Independent Director, Hong Tai Electric Industrial Co., Ltd.<br>Supervisor, Si-hai Electronic Color Platemaking Co., Ltd. | | | |
| Director | R.O.C. | Liang-Po Chen | 2017.06.28 | Male | 3 | 2017.06.28 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. in Electrical Engineering, National Cheng Kung University<br>Deputy Director, National Nano Device Laboratories | Director and General Manager, Giga Solution Technology Co., Ltd. | None | None | None |
| Director | R.O.C. | Sheng Tang Investment Ltd. | 2017.06.28 | _ | 3 | 2008.06.13 | 278,342 | 0.06% | 278,342 | 0.06% | 0 | 0 | 0 | 0 | — | — | None | None | None |
| | R.O.C. | Representative: James Song | | Male | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. in Electrical Engineering, Princeton University, USA<br>President, Etron Technology Inc.<br>Senior Vice President, Semiconductor Manufacturing International Corporation<br>Senior Division Director, Vanguard International Semiconductor Corporation<br>Researcher, Bell Laboratories, USA | None | | | |
| Director | BVI | Valutek Inc. | 2017.06.28 | — | 3 | 2017.06.28 | 15,972,408 | 3.29% | 15,972,408 | 3.26% | 0 | 0 | 0 | 0 | — | — | None | None | None |
| | R.O.C. | Representative: Dahchieh Otto Cheng | | Male | | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Ph.D. in Chemistry, Michigan State University, U.S.A.<br>President of China General Plastics Corporation<br>General Manager of Taita Chemical Company, Ltd. | None | | | |

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Independent Director | R.O.C. | Chen-I Chia | 2017.06.28 | Male | 3 | 2011.06.22 | 21,226 | 0.00% | 21,226 | 0.00% | 0 | 0 | 0 | 0 | MBA, University of Wisconsin<br>General Manager of Retail Banking Business Group, Bank SinoPac<br>General Manager of Retail Banking Business Group, Chien Hua Bank<br>Vice President and Sales Manager, Evertrust Bank<br>Manager, Securities Trust Department, Citibank | Director, Hui Hong Consulting Co., Ltd.<br>Director, Pegatron Corporation<br>Supervisor, AIRITI Inc. | None | None | None |
| Independent Director | R.O.C. | Ta-Hsiung Chen | 2017.06.28 | Male | 3 | 2004.05.14 | 0 | 0 | 0 | 0 | 57,458 | 0.01% | 0 | 0 | Ph.D. in Chemical Engineering, University of Houston<br>Special Consultant, Shanghai Baosteel Gas Co., Ltd.<br>Senior Consultant, BOC Lien Hwa Industrial Co., Ltd.<br>General Manager Asia, Praxair, Inc.<br>General Manager Taiwan, Praxair, Inc.<br>General Manager, Praxair Chemax Semiconductor Materials Co. Ltd | None | None | None | None |
| Independent Director | R.O.C. | Wei-Shan Hu | 2017.06.28 | Male | 3 | 2004.05.14 | 23,939 | 0.00% | 14,939 | 0.00% | 0 | 0 | 0 | 0 | Ph.D. in Financial Management, University of Oklahoma, U.S.A.<br>Vice President of Chung Yuan Christian University<br>Professor of Department of Business Administration/Dean of School of Business, Chung Yuan University<br>Section Chief, National Treasury Administration, Ministry of Finance | Honorary Professor, Chung Yuan University | None | None | None |
| Independent Director | R.O.C. | Lai-Juh Chen | 2017.06.28 | Male | 3 | 2017.06.28 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | EMBA, Thunderbird School of Global Management, Arizona, USA<br>Ph.D. in Chemical Engineering, National Tsing Hua University<br>CEO, SunnyHills<br>President, AU Optronics Corp. | Chairman, Ten Life Health Technology Corporation<br>Chairman, Ten Life Corporation<br>Independent Director, Unimicron Co., Ltd. | None | None | None |

1. Major shareholders of institutional shareholders (Up to the most recent book closure date)

| Name of institutional shareholder | Major shareholders of institutional shareholders |
|---|---|
| Macronix International Co., Ltd. | SNC investment account of BNP managed by Citibank (3.47%), investment account of Merrill Lynch managed by HSBC Taiwan (2.57%), Nomura international account of Nomura International (Hong Kong) managed by Citibank Taiwan (1.98%), New Labor Pension Fund (1.72%), investment account of Vanguard Emerging Markets Stock Index Fund managed by Standard Chartered Bank (1.59%), investment account of Rabobank London Branch managed by HSBC (1.39%), Vanguard Total International Stock Index Fund of Vanguard Star Funds managed by J.P. Morgan (1.30%), Shunying Investment Co., Ltd. (1.23%), trust investment account of NYC Group managed by the Taipei branch of Deutsche Bank A.G. (1.17%), Yuanta Securities (0.96%). |
| Kingwell Investment Inc. | Etron Technology Inc. (100.00%) |
| Homey Consulting Corporation | Jian Xu Investment Company (100.00%) |
| Chiu Chiang Investment Co., Ltd. | Tse-Yu Chen (47.66%), Liang-Hua Chen (29.49%), Shih-I Chen (14.10%), Wei-tzu Hsu (4.62%), Chun-Fei Chang (4.10%) |
| Sheng Tang Investment Ltd. | Ardentec Corporation (100.00%) |
| BVI Valutek Inc. | Ardentec Corporation (100.00%) |

2. Major shareholders in the above table who are institutional investors and their major shareholders

(Up to the most recent book closure date)

| Name of institutional shareholder | Major shareholders of institutional shareholders |
|---|---|
| Shunying Investment Co., Ltd. | MegaChips Corporation, Japan (100.00%) |
| Etron Technology Inc. | Chao-Chun Lu (6.70%), Shu-Chuan Liao (5.26%), Vanguard Emerging Stock Market Index Fund account managed by Standard Chartered Bank (1.51%), Min-Chuan Liao (1.47%), investment account of Bo Lu Ning Emerging Market Fund Company managed by Citibank Taiwan (1.38%), Mei-Chen Liao (1.35%), Vanguard Total International Stock Index Fund of Vanguard Star Funds managed by J.P. Morgan (1.11%), investment account for Pu Lu Ning Fund managed by HSBC Taiwan (0.77%), DFA Emerging Markets Small Equity Fund managed by Citibank (0.69%), investment account for DFA Emerging Markets Core Securities managed by Citibank (0.66%). |
| Jian Xu Investment Company | Jing-Yun Li (46.08%), Ding-Hua Hu (26.67%), Jian Quan Investment (16.56%), Chih-To Li (4.04%), Bao-Yue Chang (1.94%), Chih-Te Yeh (1.83%), Kuang-Hui Chu (1.76%), Hsiu-Chu Lin (0.60%), Mei-Chih Chen (0.52%) |
| Ardentec Corporation | Macronix International Co., Ltd. (7.33%), Cathay Life Insurance Co., Ltd. (6.50%), New Labor Pension Fund (3.37%), BVI Valutek Inc. (3.26%), investment account of Norges Bank managed by Citibank Taiwan (2.28%), Management Board of Public Service Pension Fund (1.92%), Old Labor Pension Fund (1.75%), Taiwan Life Insurance (1.70%), investment account of LSV Emerging Markets Equity Limited Partnership managed by Bank of Taiwan (1.64%), Vanguard Total International Stock Index Fund of Vanguard Star Funds managed by J.P. Morgan (1.59%) |

3. Professional Background and Independence of Directors

| Condition / Name | Has at least 5 years of work experience and possesses the following professional qualifications | | | Meets the independence criteria (Note) | | | | | | | | | | Number of positions as an Independent Director in other public companies |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Lecturer (or above) of commerce, law, finance, accounting, or any subject relevant to the Company's operations in a public or private junior college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | |
| Chih-Yuan Lu | ✓ | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |
| Chi-Ming Chang | ✓ | | ✓ | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Macronix International Co., Ltd. Representative: Yen-Hie Chao | | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | 0 |
| Kingwell Investment Inc. Representative: Mickey Ken | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| Homey Consulting Corporation Representative: Ding-Hua Hu | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | | 0 |
| Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 1 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Liang-Po Chen | | | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Sheng Tang Investment Ltd.<br>Representative:<br>James Song | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | 0 |
| BVI Valutek Inc.<br>Representative:<br>Dahchieh Otto Cheng | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Chen-I Chia | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Ta-Hsiung Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Wei-Shan Hu | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 |
| Lai-Juh Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 |

Note: If the director or supervisor meets any of the following criteria in the two years before being elected or during the term of office, please mark the corresponding boxes below with a "✓".

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company of any of its affiliates (excluding Independent Directors set up by the Company, its parent company or subsidiaries in compliance of the local regulations).

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

(4) A spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

(5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings.

(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.

(7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates. Excluding members of compensation committee who exercise power in accordance with Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Not a spouse or relative of second degree or closer to any other directors.

(9) Not been a person of any conditions defined in Article 30 of the Company Act.

(10) Not a governmental, juridical person or its representative as defined under Article 27 of the Company Act.

(II) Profile of President, Vice President, Senior Director, and Department Directors

April 1, 2019 Unit: Share

| Title | Nationality | Name | Date of Appointment | Gender | Shareholding | | Shares held by spouse and underage children | | Shareholding by nominee arrangement | | Previous experience & academic background | Current job position in other companies | Managerial officer who is a spouse or a relative within second degree | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Percentage of shares | | | Title | Name | Relationship |
| CEO | R.O.C. | Chih-Yuan Lu | 1999.10.11 | Male | 5,488,611 | 1.12% | 265,204 | 0.05% | 0 | 0 | Ph.D. in Physics, Columbia University, U.S.A.<br>President, Ardentec Corporation<br>President, Vanguard International Semiconductor Corporation<br>Deputy General Director of ERSO, ITRI | Chairman, Sheng Tang Investment Ltd.<br>Chairman, Ardentec Semiconductor.,Ltd.<br>Director, Ardentec Singapore Pte. Ltd.<br>Director, Ardentec Korea Co., Ltd.<br>Director, Valucom Investment Inc.<br>Director, ValuTest Incorporated<br>Director and President, Macronix International Co., Ltd.<br>Director, Macronix (Hong Kong) Co., Ltd.<br>Chairman, Macronix America Inc.<br>Director, Macronix Europe NV.<br>Chairman, Giga Solution Technology Co., Ltd.<br>Independent Director, Hong Tai Electric Industrial Co., Ltd.<br>Board Director, Feng Chia University | None | None | None |
| Presedient | R.O.C. | Chi-Ming Chang | 2008.06.13 | Male | 3,901,070 | 0.80% | 0 | 0.00% | 0 | 0 | Ph.D. in Industrial Engineering, Texas Tech University, U.S.A.<br>Executive Vice President, Ardentec Corporation<br>Division Director, Vanguard International Semiconductor Corporation<br>Deputy Division Director of ERSO, ITRI | Director, Sheng Tang Investment Ltd.<br>Director, Ardentec Semiconductor.,Ltd.<br>Director, Ardentec Singapore Pte. Ltd.<br>Director, Ardentec Korea Co., Ltd.<br>Director, Valutek, Inc.<br>Director, Valucom Investment Inc.<br>Director, ValuTest Incorporated<br>Chairman, Ardentec Nanjing Co., Ltd.<br>Director, Giga Solution Technology Co., Ltd. | None | None | None |
| Senior Vice President | R.O.C. | Shuh-Jiun Liaw | 2018.11.01 | Male | 236,993 | 0.05% | 0 | 0.00% | 0 | 0 | Master of Electronics Engineering, National Chiao Tung University<br>Manager, Vanguard International Semiconductor Corporation | Director, Valutek, Inc.<br>Representative Director, Raytek Semiconductor Inc. | None | None | None |

April 1, 2019 Unit: Share

| Title | Nationality | Name | Date of Appointment | Gender | Shareholding | | Shares held by spouse and underage children | | Shareholding by nominee arrangement | | Previous experience & academic background | Current job position in other companies | Managerial officer who is a spouse or a relative within second degree | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Percentage of shares | | | Title | Name | Relationship |
| Vice President | R.O.C. | Johnny Ding | 2005.02.21 | Male | 2,551,594 | 0.52% | 156,271 | 0.03% | 0 | 0 | Master of Electronics Engineering, National Chiao Tung University<br>Chairman, Ardentec Singapore Pte. Ltd.<br>President, Ardentec Singapore Pte. Ltd.<br>Manager, Vanguard International Semiconductor Corporation<br>Deputy manager of ERSO, ITRI | None | None | None | None |
| Vice President | R.O.C. | Yung-Song Lou | 2013.01.09 | Male | 167,673 | 0.03% | 298,365 | 0.06% | 0 | 0 | Ph.D. of Electronics Engineering, National Chiao Tung University<br>General Manager, Ardentec Singapore Pte. Ltd.<br>Manager, Vanguard International Semiconductor Corporation | Chairman, Ardentec Singapore Pte. Ltd.<br>Representative Director, Ardentec Korea Co., Ltd.<br>Director, Ardentec Nanjing Co., Ltd. | None | None | None |
| Vice President | R.O.C. | C. C. Rou | 2012.03.09 | Male | 962,499 | 0.20% | 206,344 | 0.04% | 0 | 0 | B.S. Degree in Automatic Control Engineering, Feng Chia University<br>Assistant Manager, Vanguard International Semiconductor Corporation | None | None | None | None |
| Vice President | R.O.C. | Jimmy Wang | 2016.03.10 | Male | 331,040 | 0.07% | 0 | 0.00% | 0 | 0 | MBA, Syracuse University, USA<br>Senior Management Specialist, Global Mixed-Mode Technology | Director, Ardentec Singapore Pte. Ltd.<br>Director, Giga Solution Technology Co., Ltd. | None | None | None |

| Title | Nationality | Name | Date of Appointment | Gender | Shareholding | | Shares held by spouse and underage children | | Shareholding by nominee arrangement | | Previous experience & academic background | Current job position in other companies | Managerial officer who is a spouse or a relative within second degree | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Percentage of shares | | | Title | Name | Relationship |
| Vice President | R.O.C. | Raymond Kao | 2017.04.17 | Male | 40,019 | 0.01% | 0 | 0.00% | 0 | 0 | MBA, Tulane University, USA<br>Division Director, Teradyne Taiwan Ltd.<br>Division Director, Electroglas Inc.<br>Manager, Applied Materials Taiwan | None | None | None | None |
| Senior Director | R.O.C. | Ken-Jung Hsu | 2013.10.15 | Male | 1,573,339 | 0.32% | 0 | 0.00% | 0 | 0 | B.S. Degree in Electronics Engineering, National Taiwan Ocean University<br>Engineer, Vanguard International Semiconductor Corporation | None | None | None | None |
| Senior Director | R.O.C. | Hui-Ling Kuo | 2016.08.04 | Female | 253,477 | 0.05% | 0 | 0.00% | 0 | 0 | Master of Industrial Engineering, National Chiao Tung University<br>Manager, Macronix International Co., Ltd. | None | None | None | None |
| Senior Director | R.O.C. | Hui Min Wang | 2016.08.04 | Male | 69,287 | 0.01% | 0 | 0.00% | 0 | 0 | Ph.D. of Electronics Engineering, National Chiao Tung University<br>Division Director, Yuanchuang Technology Co., Ltd.<br>Section Chief, ERSO, ITRI | None | None | None | None |
| Senior Director | R.O.C. | Michael Huang | 2017.12.18 | Male | 44,300 | 0.01% | 0 | 0.00% | 0 | 0 | Master of Management Science, National Chiao Tung University<br>Engineer, Siliconware Precision Industries Co., Ltd. | None | None | None | None |

April 1, 2019 Unit: Share

| Title | Nationality | Name | Date of Appointment | Gender | Shareholding | | Shares held by spouse and underage children | | Shareholding by nominee arrangement | | Previous Experience & Academic Background | Current job position in other companies | Managerial officer who is a spouse or a relative within second degree | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | No. of shares | Percentage of shares | No. of shares | Percentage of shares | No. of shares | Percentage of shares | | | Title | Name | Relationship |
| Senior Director | R.O.C. | Aaron Chuang | 2018.12.03 | Male | 0 | 0.00% | 0 | 0.00% | 0 | 0 | Master of Electronics Physics, National Chiao Tung University<br>Division Director, Texas Instruments Taiwan Ltd. | None | None | None | None |
| Project Senior Director | R.O.C. | Fu-Wan Sheu | 2013.10.15 | Male | 571,505 | 0.12% | 0 | 0.00% | 0 | 0 | Master of Industrial Engineering, National Tsing Hua University<br>Assistant Manager, Vanguard International Semiconductor Corporation | Director and General Manager, Ardentec Nanjing Co., Ltd. | None | None | None |
| Project Senior Director | R.O.C. | Bill Kang | 2015.01.01 | Male | 198,195 | 0.04% | 1,441 | 0.00% | 0 | 0 | B.S. In Electronics Engineering, National Taiwan University of Science and Technology<br>Vice President, Aegis Semiconducctor Technology Inc. | General Manager, Ardentec Korea Co., Ltd. | None | None | None |
| Project Senior Director | USA | Yanming Gao | 2018.01.15 | Male | 0 | 0.00% | 0 | 0.00% | 0 | 0 | Master of Electronics Engineering, Rensselaer Polytechnic Institute<br>Division Director, Teradyne Shanghai Ltd. | Vice President, Ardentec Nanjing Co., Ltd. | None | None | None |
| Financial Management Division Director | R.O.C. | Leslie Guh | 2011.04.28 | Male | 157,143 | 0.03% | 0 | 0.00% | 0 | 0 | Bachelor in Industrial Management, National Taiwan University of Science and Technology<br>Assistant Manager, Goyatek Technology Inc.<br>Senior Director, Grand Pacific Optoelectronics Corp.<br>Assistant Manager, Deloitte Taiwan | Supervisor, Ardentec Korea Co., Ltd.<br>Supervisor, Ardentec Nanjing Co., Ltd.<br>Supervisor, Giga Solution Technology Co., Ltd. | None | None | None |

## (III) Remunerations to Directors, Supervisors, President, and Vice Presidents in the most recent year

### 1. Remuneration to Directors (including Independent Directors)

December 31, 2018 Unit: Thousand NTD

| Title | Name | Director's remuneration | | | | | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Pay received as an employee | | | | | | | | Percentage of the total sums of A, B, C, D, E, F, and G on the net profit | | Compensation from investments other than subsidiaries |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Retirement pension (B) | | Director's remuneration (C) (Note 1) | | Fees for conducting business (D) | | | | Salary, bonuses and allowances (E) (Note 2) | | Retirement pension (F) (Note 3) | | Remuneration for employees (G) (Note 1) | | | | | | |
| | | | | | | | | | | | | | | | | The Company | | In financial reports All companies | | | | |
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | Cash value | Share value | Cash value | Share value | The Company | All companies in the financial statements | |
| Chairman | Chih-Yuan Lu | 0 | 0 | 0 | 0 | 15,389 | 15,389 | 25 | 55 | 1.00% | 1.00% | 18,334 | 18,334 | 450 | 450 | 8,200 | 0 | 8,200 | 0 | 2.74% | 2.74% | None |
| Vice Chairman | Chi-Ming Chang | 2,160 | 2,160 | 0 | 0 | 53,827 | 53,827 | 300 | 350 | 3.63% | 3.64% | 19,966 | 27,356 | 444 | 552 | 8,200 | 0 | 9,100 | 0 | 5.48% | 6.03% | None |
| Director | Macronix International Co., Ltd. Representative: Yen-Hie Chao | | | | | | | | | | | | | | | | | | | | | |
| Director | Valucom Investment Inc. Representative: Mickey Ken | | | | | | | | | | | | | | | | | | | | | |
| Director | Homey Consulting Corporation Representative: Ding-Hua Hu | | | | | | | | | | | | | | | | | | | | | |
| Director | Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao | | | | | | | | | | | | | | | | | | | | | |
| Director | Liang-Po Chen | | | | | | | | | | | | | | | | | | | | | |
| Director | Sheng Tang Investment Ltd. Representative: James Song | | | | | | | | | | | | | | | | | | | | | |

| Title | Name | Director's remuneration | | | | | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Pay received as an employee | | | | | | | | Percentage of the total sums of A, B, C, D, E, F, and G on the net profit | | Compensation from investments other than subsidiaries |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Remuneration (A) | | Retirement pension (B) | | Director's remuneration (C) (Note 1) | | Fees for conducting business (D) | | | | Salary, bonuses and allowances (E) (Note 2) | | Retirement pension (F) (Note 3) | | Remuneration for employees (G) (Note 1) | | | | | | |
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | | In financial reports All companies | | The Company | All companies in the financial statements | |
| | | | | | | | | | | | | | | | | Cash value | Share value | Cash value | Share value | | | |
| Director | Representative of BVI Valutek Inc.: Dahchieh Otto Cheng | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Chen-I Chia | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Ta-Hsiung Chen | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Wei-Shan Hu | | | | | | | | | | | | | | | | | | | | | |
| Independent Director | Lai-Juh Chen | | | | | | | | | | | | | | | | | | | | | |

* Except as disclosed above, remuneration received by directors in the latest year for on-balance sheet services (e.g. acting as a non-employee consultant) rendered to the Company: None.

Note 1: Calculations are based on the proposed remuneration for Directors and Supervisors as well as employees passed by a resolution of the Ardentec Board of Directors on February 27, 2019.
Note 2: This includes treatment of new restricted stock awards to employees as salary expenses under "Share-based Payment" in accordance with IFRS 2.
Note 3: This amount is the amount allocated.

Range of remuneration table

| Remuneration scale applicable to the Company's Directors | Name of Director | | | |
|---|---|---|---|---|
| | Total amount for the 4 preceding remunerations (A+B+C+D) | | Total amount for the 7 preceding remunerations (A+B+C+D+E+F+G) | |
| | The Company | All companies in the financial statements | The Company | All companies in the financial statements |
| Below NT$2,000,000 | | | | |
| 2,000,000 NTD (inclusive) to 5,000,000 NTD (exclusive) | Macronix International Co., Ltd. Representative: Yen-Hie Chao; Kingwell Investment Inc. Representative: Mickey Ken; Homey Consulting Corporation Representative: Ding-Hua Hu; Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao; Liang-Po Chen Sheng Tang Investment Ltd. Representative: James Song; BVI Valutek Inc. Representative: Dahchieh Otto Cheng, Chen-I Chia, Ta-Hsiung Chen, Wei-Shan Hu, Lai-Juh Chen | Macronix International Co., Ltd. Representative: Yen-Hie Chao; Kingwell Investment Inc. Representative: Mickey Ken; Homey Consulting Corporation Representative: Ding-Hua Hu; Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao; Liang-Po Chen Sheng Tang Investment Ltd. Representative: James Song; BVI Valutek Inc. Representative: Dahchieh Otto Cheng, Chen-I Chia, Ta-Hsiung Chen, Wei-Shan Hu, Lai-Juh Chen | Macronix International Co., Ltd. Representative: Yen-Hie Chao; Kingwell Investment Inc. Representative: Mickey Ken; Homey Consulting Corporation Representative: Ding-Hua Hu; Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao; Liang-Po Chen Sheng Tang Investment Ltd. Representative: James Song; BVI Valutek Inc. Representative: Dahchieh Otto Cheng, Chen-I Chia, Ta-Hsiung Chen, Wei-Shan Hu, Lai-Juh Chen | Macronix International Co., Ltd. Representative: Yen-Hie Chao; Kingwell Investment Inc. Representative: Mickey Ken; Homey Consulting Corporation Representative: Ding-Hua Hu; Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao; Sheng Tang Investment Ltd. Representative: James Song; BVI Valutek Inc. Representative: Dahchieh Otto Cheng, Chen-I Chia, Ta-Hsiung Chen, Wei-Shan Hu, Lai-Juh Chen |
| 5,000,000 NTD (inclusive) to 10,000,000 NTD (exclusive) | | | | |
| 10,000,000 NTD (inclusive) to 15,000,000 NTD (exclusive) | Chi-Ming Chang | Chi-Ming Chang | | Liang-Po Chen |
| 15,000,000 NTD (inclusive) to 30,000,000 NTD (exclusive) | Chih-Yuan Lu | Chih-Yuan Lu | | |
| 30,000,000 NTD (inclusive) to 50,000,000 NTD (exclusive) | | | Chih-Yuan Lu, Chi-Ming Chang | Chih-Yuan Lu, Chi-Ming Chang |
| 50,000,000 NTD (inclusive) to 100,000,000 NTD (exclusive) | | | | |
| Greater than NT$100,000,000 | | | | |
| Total | 13 | 13 | 13 | 13 |

2. Remunerations to President and Vice Presidents

December 31, 2018 Unit: Thousand NTD

| Title | Name | Salary (A) | | Retirement pension (B) (Note 1) | | Bonuses and allowances, etc. (C) (Note 2) | | Remuneration for employees (D) (Note 3) | | | | Ratio of total compensation (A+B+C+D) to net income (%) | | Compensation from investments other than subsidiaries |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | All companies in the financial statements | The Company | | In financial reports All companies | | The Company | All companies in the financial statements | |
| | | | | | | | | Cash value | Share value | Cash value | Share value | | | |
| CEO | Chih-Yuan Lu | 30,632 | 30,632 | 2,494 | 2,494 | 83,519 | 83,519 | 37,800 | 0 | 37,800 | 0 | 9.97 % | 9.97 % | None |
| President | Chi-Ming Chang | | | | | | | | | | | | | |
| Senior Vice President | Shuh-Jiun Liaw | | | | | | | | | | | | | |
| Vice President | Johnny Ding | | | | | | | | | | | | | |
| Vice President | Yung-Song Lou | | | | | | | | | | | | | |
| Vice President | C. C. Rou | | | | | | | | | | | | | |
| Vice President | Jimmy Wang | | | | | | | | | | | | | |
| Vice President | Raymond Kao | | | | | | | | | | | | | |

Note 1: This amount is the amount allocated.
Note 2: This includes treatment of new restricted stock awards to employees as salary expenses under "Share-based Payment" in accordance with IFRS 2.
Note 3: Calculations are based on the proposed remuneration for employees passed by a resolution of the Ardentec Board of Directors on February 27, 2019.

Range of remuneration table

| Range of remuneration paid to President and Vice President | Name of General Manager and Deputy General Manager | |
|---|---|---|
| | The Company | All companies in the financial statements |
| Below NT$2,000,000 | | |
| 2,000,000 NTD (inclusive) to 5,000,000 NTD (exclusive) | | |
| 5,000,000 NTD (inclusive) to 10,000,000 NTD (exclusive) | Johnny Ding | Johnny Ding |
| 10,000,000 NTD (inclusive) to 15,000,000 NTD (exclusive) | Shuh-Jiun Liaw, Yung-Song Lou, C. C. Rou, Jimmy Wang, Raymond Kao | Shuh-Jiun Liaw, Yung-Song Lou, C. C. Rou, Jimmy Wang, Raymond Kao |
| 15,000,000 NTD (inclusive) to 30,000,000 NTD (exclusive) | Chih-Yuan Lu, Chi-Ming Chang | Chih-Yuan Lu, Chi-Ming Chang |
| 30,000,000 NTD (inclusive) to 50,000,000 NTD (exclusive) | | |
| 50,000,000 NTD (inclusive) to 100,000,000 NTD (exclusive) | | |
| Greater than NT$100,000,000 | | |
| Total | 8 | 8 |

4. Manager's name and the distribution of employee bonus

December 31, 2018: Unit: Thousand NTD

| | Title | Name | Share value | Cash value (Note) | Total | Percentage of total bonuses to net profit after tax(%) |
|---|---|---|---|---|---|---|
| Managerial Officers | CEO | Chih-Yuan Lu | 0 | 59,880 | 59,880 | 3.87 % |
| | President | Chi-Ming Chang | | | | |
| | Senior Vice President | Shuh-Jiunn Liaw | | | | |
| | Vice President | Johnny Ding | | | | |
| | Vice President | Yung-Song Lou | | | | |
| | Vice President | C. C. Rou | | | | |
| | Vice President | Jimmy Wang | | | | |
| | Vice President | Raymond Kao | | | | |
| | Senior Director | Ken-Jung Hsu | | | | |
| | Senior Director | Hui-Ling Kuo | | | | |
| | Senior Director | Hui Min Wang | | | | |
| | Senior Director | Michael Huang | | | | |
| | Senior Director | Aaron Chuang | | | | |
| | Project Senior Director | Fu-Wan Sheu | | | | |
| | Project Senior Director | Bill Kang | | | | |
| | Project Senior Director | Yanming Gao | | | | |
| | Accounting Managerial Officer | Leslie Guh | | | | |

Note: Calculations are based on the proposed remuneration for employees passed by a resolution of the Ardentec Board of Directors on February 27, 2019.

(IV) Provide a comparative analysis on remuneration to Directors, Supervisors, the General Manager and Deputy General Managers as a percentage of the net income in individual or consolidated financial reports from the last two years, and also describe of the policy, standards and packages of remunerations, procedure for making such decisions, as well as how they related to business performance and future risks.

1. Remuneration paid to Directors, Supervisors, the President and Vice Presidents as a percentage of the Company's net income in the last two years:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | The Company | All companies included in the consolidated financial statements | The Company | All companies included in the consolidated financial statements |
| Director | 4.63 % | 4.64 % | 3.97 % | 3.98 % |
| Supervisors | — | — | 0.38 % | 0.38 % |
| President and Vice Presidents | 9.97 % | 9.97 % | 7.13 % | 7.13 % |

2. Remuneration policy, standards and packages, the procedure for making such decisions, as well as how they relate to business performance and future risks

(1) Remuneration policy, standards and packages

Remuneration for Directors consists mainly of compensation, travel allowances and directors' remuneration. Travel allowance is paid on the basis of Directors' attendance at Board meetings; The amount of compensation paid to Directors shall be a percentage based on company profitability for the year and the Articles of Incorporation determined by the Board of Directors and report to the general shareholders' meeting.

Compensation paid to the President and Vice President consists mainly of salary, employee remuneration, and new restricted stock awards. The salary is set at levels comparable to industry peers for the same role while taking into consideration their internal responsibilities and contributions to the company's business targets. The amount of compensation paid to Employees shall be a percentage based on company profitability for the year and the Articles of Incorporation as determined by the Board of Directors and report to the general shareholders' meeting; The issue of new restricted stock awards shall take years of service, seniority, work performance and overall contribution into account as determined by the Chairman and submitted to the Board for approval.

(2) Procedure for determining remuneration

A Remuneration Committee has been established by the Company to review the salaries and remuneration of directors and managerial officers on a regular basis to ensure that reasonable compensation is being paid. Recommendations developed by the Committee are then submitted to the Board for approval.

(3) Connection with business performance and future risks

The management team's remuneration is not affected by their age and gender. Remuneration takes annual business performance, future risks, as well as domestic/international industry standards into account.

III. Implementation of corporate governance

(I) Operation of the Board of Directors

A total of 5 (A) Board of Directors meetings were convened in 2018. The attendance of the Directors was as follows:

| Title | Name | Attendance (voting and non-voting) in person B | Attendance by proxy | Attendance (voting and non-voting) in person rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Chairman | Chih-Yuan Lu | 5 | 0 | 100 % | |
| Vice Chairman | Chi-Ming Chang | 5 | 0 | 100 % | |
| Director | Macronix International Co., Ltd. Representative: Yen-Hie Chao | 5 | 0 | 100 % | |
| Director | Kingwell Investment Inc. Representative: Mickey Ken | 5 | 0 | 100 % | |
| Director | Homey Consulting Corporation Representative: Ding-Hua HU | 5 | 0 | 100 % | |
| Director | Chiu Chiang Investment Co., Ltd. Representative: Jing Amy Chao | 5 | 0 | 100 % | |
| Director | Liang-Po Chen | 5 | 0 | 100 % | |
| Director | Sheng Tang Investment Ltd. Representative: James Song | 5 | 0 | 100 % | |
| Director | BVI Valutek Inc. Representative: Dahchieh Otto Cheng | 5 | 0 | 100 % | |

| Title | Name | Attendance (voting and non-voting) in person B | Attendance by proxy | Attendance (voting and non-voting) in person rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Independent Director | Chen-I Chia | 5 | 0 | 100 % | |
| Independent Director | Ta-Hsiung Chen | 5 | 0 | 100 % | |
| Independent Director | Wei-Shan Hu | 5 | 0 | 100 % | |
| Independent Director | Lai-Juh Chen | 5 | 0 | 100 % | |

Other matters that require reporting:

I. Should any of the following take place in a board meeting, the date and number of the meeting, the content of proposal, Independent Director's opinions and the Company's response to such opinions should be recorded:

(I) Items specified in Article 14-3 of the Securities and Exchange Act:

1. 5th Meeting of the 7th Board of Directors (March 8, 2018)

| Agenda item | Independent Director's opinion | The Company's response to the Independent Director's opinion | Resolution |
|---|---|---|---|
| Revision of the Third-party Lending Procedure | Agree | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |

2. 8th Meeting of the 7th Board of Directors (November 1, 2018)

| Agenda item | Independent Director's opinion | The Company's response to the Independent Director's opinion | Resolution |
|---|---|---|---|
| Amendment to the Procedures for Supervision and Management of Subsidiaries | Agree | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |

| | | | |
|---|---|---|---|
| Appointment of the CPA for financial and taxation affairs in 2019 | Agree | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |

(II) Aside from the above matters, other resolutions adopted by the Board of Directors to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

II. Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting:

1. Name of Director: Chih-Yuan Lu, Chi-Ming Chang, Liang-Po Chen.

   Agenda item: Discussion of Directors' and Supervisors' remuneration for 2017 at the 5th meeting of the 7th Board of Directors.

   Reason for recusal: Related party.

   Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

2. Name of Director: Chih-Yuan Lu, Chi-Ming Chang, Liang-Po Chen.

   Agenda item: Discussion of remuneration for Company managerial officer serving as the representative for Giga Solution Tech. Co., Ltd. In 2017 at the 5th Meeting of the 7th Board of Directors.

   Reason for recusal: Related party.

   Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

3. Name of Director: Chih-Yuan Lu, Chi-Ming Chang, Liang-Po Chen.

Agenda item: Discussion of Company managerial officers' employees remuneration for 2017 at the 5th Meeting of the 7th Board of Directors.

Reason for recusal: Related party.

Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

4. Name of Director: Chih-Yuan Lu, Chi-Ming Chang, Liang-Po Chen.

   Agenda item: Discussion of adjustments to Company managerial officers' salaries for 2018 at the 5th meeting of the 7th Board of Directors.

   Reason for recusal: Related party.

   Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

5. Name of Director: Liang-Po Chen.

   Agenda item: Discussion of the proposed issue of new restricted stock awards for 2017 at the 6th Meeting of the 7th Board of Directors.

   Reason for recusal: Also acting as a managerial officer at a subsidiary;

   Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

6. Name of Director: Chih-Yuan Lu, Chi-Ming Chang, Liang-Po Chen.

   Agenda item: Discussion to set the annual performance bonuses of Company managerial officers for 2018 at the 9th meeting of the 7th Board of Directors.

   Reason for recusal: Related party.

   Voting on the agenda item: The directors recused themselves from the discussion and voting due to conflict of interest. Their attendance was therefore not counted for this agenda item. The matter was put to a vote by acting Chairman and was passed unanimously by all other directors in attendance.

III. An evaluation of the goals set for strengthening the functions of the Board (e.g. Establishment of an Audit Committee, improvement of information transparency) and implementation status during the current and immediately preceding fiscal years:

1. The Remuneration Committee was established on December 22, 2011. The organic charter of the Committee requires it to be convened at least twice a year in order to set and regularly evaluate the performance of Directors and managerial officers, as well as the policies, systems, standards and structure of their salary & remuneration. The Remuneration Committee was convened 3 times in 2018. All relevant personnel took an active role during the meetings ensuring the effective operation of the Committee and sound communication.
2. The Board of Directors was up for election at the general shareholders' meeting on June 28, 2017. One independent directorship was added to the Board to strengthen corporate governance. Four independent directors were appointed as members of the Company's 1st Audit Committee. The Audit Committee is convened at least once every quarter and is responsible for reviewing the Company's financial reports, the appointment/dismissal of CPAs and their remuneration, the effectiveness of internal control systems, and the formulation of company rules on laws and regulations compliance. The Audit Committee was convened 4 times during 2018. All relevant personnel took an active role during the meetings ensuring the effective operation of the Committee and sound communication.
3. The Company arranges for lecturers to hold classes for directors on company premises every year. The classes encompass topics such as corporate governance in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEx Listed Companies." Progress on continuing education is also disclosed in the annual report and Market Observation Post System as required.

(II) Operation of the Audit Committee

1. The Committee is made up of all independent directors and is convened at least once every quarter. Key activities during the year were as follow:
   (1) Proper presentation of the Company's financial reports.
   (2) Selection/dismissal, independence and performance of CPAs.
   (3) Effective implementation of the Company's internal control system.
   (4) Compliance with relevant laws and regulations by the Company.
   (5) Management of existing or potential risks by the Company.
2. Operation of the Audit Committee:
   The Audit Committee was convened 4 times (A) in 2018. Attendance by Independent Directors was as follows:

| Title | Name | Attended in person B | Attendance by proxy | Attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Independent Director | Chen-I Chia | 4 | 0 | 100 % | |
| Independent Director | Ta-Hsiung Chen | 4 | 0 | 100 % | |
| Independent Director | Wei-Shan Hu | 4 | 0 | 100 % | |
| Independent Director | Lai-Juh Chen | 4 | 0 | 100 % | |

Other matters that require reporting:

I. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances during the operation of the Audit Committee meeting:

(I) Items specified in Article 14-5 of the Securities and Exchange Act:

1. 5th Meeting of the 7th Board of Directors (March 8, 2018)

| Agenda item | Audit Committee Resolution | The Company's response to Audit Committee's opinion | Board of Director resolution |
|---|---|---|---|
| The Company's 2017 financial | Passed unanimously as proposed by all Audit Committee | Not applicable | Passed unanimously as proposed after the |

| | | | |
|---|---|---|---|
| report | members in attendance and submitted to the Board of Directors. | | Chairman put the matter to a vote by all directors in attendance. |
| Revision of the "Third-party Lending Procedure" | Passed unanimously as proposed by all Audit Committee members in attendance and submitted to the Board of Directors. | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |
| 2017 Internal Control Statement | Passed unanimously as proposed by all Audit Committee members in attendance and submitted to the Board of Directors. | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |

2. 7th Meeting of the 7th Board of Directors (August 2, 2018)

| Agenda item | Audit Committee Resolution | The Company's response to Audit Committee's opinion | Board of Director resolution |
|---|---|---|---|
| The Company's 2018 Q2 financial report | Passed unanimously as proposed by all Audit Committee members in attendance and submitted to the Board of Directors. | Not applicable | The 2018 Q2 financial report was included on the agenda for that Board meeting |

3. 8th Meeting of the 7th Board of Directors (November 1, 2018)

| Agenda item | Audit Committee | The Company's | Board of Director |
|---|---|---|---|

| | Resolution | response to Audit Committee's opinion | resolution |
|---|---|---|---|
| Amendment to the Procedures for Supervision and Management of Subsidiaries | Passed unanimously as proposed by all Audit Committee members in attendance and submitted to the Board of Directors. | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |
| Appointment of the CPA for financial and taxation affairs in 2019 | Passed unanimously as proposed by all Audit Committee members in attendance and submitted to the Board of Directors. | Not applicable | Passed unanimously as proposed after the Chairman put the matter to a vote by all directors in attendance. |

(II) In addition to matters above, other resolutions that have not been approved by the Audit Committee but have been passed by a vote of two-thirds or more of the entire Board of Directors: None.

II. The Independent Directors' avoidance of interest motion should indicate the names of the Independent Directors, content of the motion and reasons of avoidance of interest as well as the involvement in voting: None.

III. Communication between Independent Directors, internal audit officer and accountants (should include matters relating to company finances and business activities, method of communication and the outcome)

(I) Nature and form of communication between Independent Directors and internal audit officer and accountants:

1. The Company's internal audit officer regularly briefs the Independent Directors on audit activities when the Audit Committee is convened. They also communicate to the Committee members the outcome of audit reports and follow-up monitoring.
2. During the quarterly meetings of the Audit Committee, the Company's CPA

reports to the Independent Directors on their review/audit of the Company and its domestic/overseas subsidiaries' financial reports as well as the state of internal controls. The results from review or inspection of financial reports, audit of internal controls and key regulatory changes are explained and communicated in detail.

(II) A summary of key communications between Independent Directors and the internal audit officer in 2018 is provided below:

There was effective communication with the Independent Directors of the Company on the execution and results of audit activities.

| Date | Communication subject | Communication outcome |
|---|---|---|
| 2018.03.08 | Report on the execution of the 2017 Q4 internal audit and its outcome<br>2017 internal control statement | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |
| 2018.05.03 | Report on the execution of the 2018 Q1 internal audit and its outcome | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |
| 2018.08.02 | Report on the execution of the 2018 Q2 internal audit and its outcome | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |
| 2018.11.01 | Report on the execution of the 2018 Q3 internal audit and its outcome<br>2019 Audit Plan | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |

(4) A summary of key communications between Independent Directors and CPA in 2018 is provided below:

There was effective communication between Independent Directors and CPA.

| Date | Communication subject | Communication outcome |
|---|---|---|
| 2018.03.08 | The audit results of the 2017 consolidated and individual financial | Fully understood by the Independent Directors and acknowledged in the |

| | | | |
|---|---|---|---|
| | | reports | minutes of that Audit Committee meeting. |
| | 2018.05.03 | The review results of the 2018 Q1 consolidated financial report | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |
| | 2018.08.02 | The review results of the 2018 Q2 consolidated financial report | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |
| | 2018.11.01 | The review results of the 2018 Q3 consolidated financial report | Fully understood by the Independent Directors and acknowledged in the minutes of that Audit Committee meeting. |

(III) Corporate governance implementation status, deviation from Corporate Governance Best-Practice Principles for TPEx Listed Companies and reason for such deviation

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Has the Company set and disclosed principles for practicing corporate governance according to the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?" | ✓ | | A set of "Corporate Governance Best Practice Principles" has been drawn up by the Company and published on the corporate website to serve as a guide and reference for governance. All Company operations adhere to the six major governance principles of "Establish an effective corporate governance structure", "Protect shareholder interests", "Strengthening the functions of the Board", "Effective functioning of the Audit Committee", "Respect for stakeholder interests" and "Improving information transparency." | No deviation |
| II. The Company's shareholding structure and shareholders' rights and interests<br>(I) Has the Company set internal operations procedures for dealing with shareholder proposals, doubts, disputes, and litigation as well as implemented those procedures | ✓ | | (I) The Company has appointed a spokesperson and deputy spokesperson to handle shareholder inquiries, shareholder suggestions or disputes. | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| properly ? | | | | |
| (II) Does the Company have a list of major shareholders of companies over which the Company has actual control and the list of ultimate owners of those major shareholders? | ✓ | | (II) The share registry and related statements are provided by the Company's stock transfer agent on a regular basis. Related information is also disclosed as required by law and sound channels of communication maintained with key shareholders. | No deviation |
| (III) Has the Company established and implemented risk control/management and firewall mechanisms between it and affiliated corporations? | ✓ | | (III) Ardentec and subsidiaries have all established management regulations relating to internal controls. Risk management is also carried out by the Company. | No deviation |
| (IV) Does the Company have internal regulations in place to prevent its internal staff from trading securities based on information yet to be public on the market? | ✓ | | (IV) A "Procedure for Prevention of Insider Trading and Handling of Material Internal Information" has been formulated by the Company. Directors, managerial officers and employees have all been notified to adhere strictly to the rules set out in the procedure. | No deviation |
| III. Composition and duties of the Board of Directors | | | | |
| (I) Has the Board of Directors devised and | ✓ | | (I) The composition of the Board of Directors is in | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| implemented a plan for a more diverse composition of the Board? | | | line with the policy on diversification of board of directors. The professional backgrounds of Board members include financial, business, technology, finance, operation, chemical engineering, accounting and education; Professional experience included start-up teams, semiconductor industry experts, management of international or publicly listed companies, leader of national research institute, leader of the venture capital industry, leading academic in business management, financial expert and managing, talent cross-industry entrepreneurial elite, industry transformation and corporate management transition mentor, and media business management talent.<br>The Board has 13 members including 4 Independent Directors (30.8%). The Independent Directors included one that served for less than 3 years, one that has served | |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | between 3~8 years, and two that had served for over 8 years.<br>There were three Directors aged over 70, eight aged between 60~69 years, and two under 60 years of age.<br>The Company recognizes the importance of gender equality in the composition of the Board. There was one female Director (7.7%) and more will be added as appropriate in the future.<br>The details on implementation of the Board diversification policy by Ardentec is disclosed in Note 1 and on the Ardentec website. | |
| (II) In addition to establishing a Remuneration Committee and an Audit Committee as required by law, is the company willing to also voluntarily establish other types of functional committees? | ✓ | | (II) In addition to establishing a Remuneration Committee and an Audit Committee as required by law, other functional committees will be established by the Company as required by law or in response to operational requirements. | No deviation |
| (III) Has the company established and implemented methods for assessing the | ✓ | | (III) The "Rules Governing Evaluation of Board Performance" was passed by the Board on | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| performance of the Board of Directors and conducted performance evaluation annually? | | | November 1, 2018. An internal performance evaluation of the Board and functional committees is now conducted once a year. The members of the Board, functional committees and meeting affairs unit will conduct an internal self-performance evaluation of "the Board as a whole", "Board members" and "functional committees." The evaluation covers five key aspects:<br>I. Level of involvement in company operations.<br>II. Improvement in the quality of decision-making by the Board of Directors (functional committees).<br>III. Composition and structure of the Board of Directors (functional committees).<br>IV. Election and continuing education of the Directors (functional committee members).<br>V. Internal control. | |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Performance evaluation for Directors (self- or peer-review) encompass the following six aspects:<br>I. Familiarity with the goals and missions of the company.<br>II. Awareness of the duties of a director.<br>III. Level of involvement in company operations.<br>IV. Management of internal relationship and communication.<br>V. The director's professionalism and continuing education.<br>VI. Internal control.<br>The evaluation is to be conducted by the Division Director of financial management in the form of internal questionnaires. Once the questionnaires are recovered in January each year, they are evaluated against the evaluation indicators and scoring criteria. The results are recorded and an | |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | evaluation report submitted to the Board for review and improvement.<br>The results from self-evaluations conducted by the Board as a whole and individual Board members for 2018 were all favorable and submitted to the Board of Directors on February 27, 2019. | |
| (IV) Does the company periodically evaluate the level of independence of the CPA? | ✓ | | (IV) A CPA is appointed by the Board of Directors every year. The independence of the CPA is reviewed to verify that there is no conflict of interest with the Company's directors and shareholders, and that they do not receive a salary from the Company. The CPA must also recuse him/herself if there is any conflict of interest with the CPA or their contracted work. Rotation of CPAs is also conducted in accordance with the relevant regulations. | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| IV. Does the Company listed on the TWSE or TPEx have a unit or staff that specializes (or is involved) in corporate governance (including but not limited to providing information necessary for directors and supervisors to perform their duties, organizing board meetings and general shareholders' meetings, handling business registration and any change of registration, and compiling minutes of board meetings and general shareholders' meetings)? | ✓ | | A corporate governance working group has been established at Ardentec. The working group, comprised of the Financial Division and Stock Affairs Office, is led by the Division Director of financial management and liaises with the Corporate Governance Division on the management of corporate governance matters. The primary responsibilities of personnel in the corporate governance working group is to provide Directors with the information they need to perform their duties, maintaining the Articles of Incorporation and key regulations, assisting Directors with laws and regulations compliance, arranging continuing education courses for Directors, processing of company registrations, as well as organizing board of directors meetings and shareholders' meetings. | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, customers and suppliers), set up a dedicated stakeholder area on the company website, as well as responded appropriately to important corporate and social responsibility issues of concern to stakeholders? | ✓ | | Ardentec has designated a spokesperson and deputy spokesperson to serve as the primary channel of communication with stakeholders; The corporate website provides various functional communication channels for all types of stakeholders to make suggestions or communicate with the Company including a stakeholder area, CSR and whistle blower contact information. Stakeholder surveys on issues of concern have been conducted since 2013 to serve as reference for business operations<br>A CSR report is also published every year as a response to stakeholder issues of concern and to communicate the Company's efforts on each issue. | No deviation |
| VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting? | ✓ | | The Transfer Agency Department of CTBC Bank has been hired by the Company to handle tasks and issues related to the holding of shareholders' meetings. | No deviation |
| VII. Public Disclosure<br>(I) Has the Company established a corporate website to disclose information regarding the | ✓ | | (I) Financial, business and corporate governance information are disclosed in the Investor | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| Company's financial, business and corporate governance status? | | | Relations area on the Ardentec website. They are also announced on the Market Observation Post System website as required by law. | |
| (II) Has the Company adopted other means of information disclosure (such as establishing a website in English, appointing specific personnel to collect and disclose company information, implementing a spokesperson system, and disclosing the process of investor conferences on the Company's website)? | ✓ | | (II) An English version of the Ardentec website is available. Dedicated personnel have also been assigned to collect and disclose company information. A spokesperson system has been implemented with information from institutional investor conferences and their contents disclosed on the Market Observation Post System and the Ardentec web-site's "Investor Relations"area. | No deviation |
| VIII. Does the Company have other information that is helpful for understanding its status of corporate governance (including but not limited to employee rights and interests, employee well being, investor relations, supplier relations, rights of stakeholders parties, further education sought by Directors and Supervisors, implementation of risk management policies and risk evaluation standards, | ✓ | | Ardentec conducts an analysis on the issues of concern to stakeholders such as employees, customers, government and competent agencies, suppliers and contractors, investors, support organizations, communities and creditors every year. A survey is also used to determine the materiality of issues and their impact on the Company. The Company's corporate governance operations and | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| implementation of customer policies, the taking out of liability insurance for Directors and Supervisors)? | | | handling of related issues are disclosed in detail in the annual CSR report. Continuing education of Directors is also disclosed through the Market Observation Post System. Liability insurance is purchased for Directors every year. | |
| IX. Please described improvements in terms of the results of the Corporate Governance Evaluation System in recent years and propose areas and measures to be given priority where improvement will be needed.<br>Ardentec conducted a self-evaluation for the Corporate Governance Evaluation in accordance with the relevant regulations. The Company was rated in the top 20% of publicly traded companies in the 2nd and 3rd Corporate Governance Evaluation, and in the top 5% of publicly traded companies in the 4th Corporate Governance Evaluation. To further strengthen the structure and operation of the Board, the "Rules Governing the Evaluation of Board Performance" was passed by the Board on November 1, 2018, and implemented continued enhancement the level of transparency and disclosure in English. | | | | |

Note 1: Implementation of the Board diversification policy

| Name | Gender | Professional experience | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Start-up management team | Semiconductor and high-tech industry expert | Management of international and publicly listed companies | Leader and expert at national research institute | Leader in the venture capital industry | Leading academic in business management | Financial experiment and managing talent | Industry transformation, entrepreneurial elite and corporate management transition mentor | Media business management talent |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Chih-Yuan Lu | Male | ✓ | ✓ | ✓ | ✓ | | ✓ | | | |
| Chi-Ming Chang | Male | ✓ | ✓ | ✓ | | | | | | |
| Yen-Hie Chao | Male | | ✓ | ✓ | | | | | | |
| Mickey Ken | Male | | ✓ | | | | | | | |
| Ding-Hua Hu | Male | | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| Jing Amy Chao | Female | | | | | | | | | ✓ |
| Liang-Po Chen | Male | | ✓ | ✓ | ✓ | | | | | |
| James Song | Male | | ✓ | ✓ | | | | | | |
| Dahchieh Otto Cheng | Male | | | ✓ | | | | | | |
| Chen-I Chia | Male | | | ✓ | | | | ✓ | | |
| Ta-Hsiung Chen | Male | | | ✓ | | | | | | |
| Wei-Shan Hu | Male | | | | | | ✓ | | | |
| Lai-Juh Chen | Male | ✓ | ✓ | ✓ | | | | | ✓ | |

| Name | Gender | Professional background | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Finance | Commerce | Technology | Money and banking | Operating | Chemical engineering | Accounting | Education |
| Chih-Yuan Lu | Male | | ✓ | ✓ | | ✓ | | | ✓ |
| Chi-Ming Chang | Male | | ✓ | ✓ | | ✓ | | | ✓ |
| Yen-Hie Chao | Male | | | ✓ | | ✓ | | | |
| Mickey Ken | Male | | | ✓ | | ✓ | | | |
| Ding-Hua Hu | Male | ✓ | ✓ | ✓ | | ✓ | | | ✓ |
| Jing Amy Chao | Female | ✓ | ✓ | | | | | ✓ | |
| Liang-Po Chen | Male | | ✓ | ✓ | | ✓ | | | |
| James Song | Male | | ✓ | ✓ | | ✓ | | | |
| Dahchieh Otto Cheng | Male | | ✓ | | | ✓ | ✓ | | |
| Chen-I Chia | Male | ✓ | | | ✓ | | | | |
| Ta-Hsiung Chen | Male | | ✓ | | | ✓ | ✓ | | |
| Wei-Shan Hu | Male | ✓ | | | ✓ | | | ✓ | ✓ |
| Lai-Juh Chen | Male | | ✓ | ✓ | | ✓ | ✓ | | |

(IV) Composition, duties, and operation of the Remuneration Committee if there is one

1. Information on members of the Remuneration Committee:

| Identification Type (Note 1) | Condition / Name | Has at least 5 years of work experience and possesses the following professional qualifications | | | Compliance on independence (Note 2) | | | | | | | | Number of other public companies in which the member also serves as a member of their compensation committee | Remarks (Note 3) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | An instructor or higher position in the department of commerce, law, finance, accounting or other department related to the business needs of the Company in a public or private junior college or university | A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the company | Commercial, legal, financial, or accounting or other work experience necessary for the business of the Company | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | | |
| Independent Director | Ta-Hsiung Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | Not applicable |
| Independent Director | Wei-Shan Hu | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | Not applicable |
| Independent Director | Chen-I Chia | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 0 | Not applicable |
| Independent Director | Lai-Juh Chen | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 1 | Not applicable |

Note 1: Status can be Director, Independent Director, or Other.

Note 2: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "✓" in the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates.

(2) Not a Director or Supervisor of the Company or any of its affiliates. Exception shall apply to independent directors established pursuant to the Securities and Exchange Act or local regulations.

(3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the Company or ranks as one of its top ten shareholders;

(4) Not a spouse, second degree kin or closer, or a direct blood relative of third degree or closer to anyone listed in the three preceding clauses.

(5) A director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings.

(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have a financial or business relationship with the company.

(7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliates, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliates.

(8) Not been a person of any conditions defined in Article 30 of the Company Act.

Note 3: If a member's role is Director please explain why this complies with Article 6, Paragraph 5 of "Regulations Governing the Appointment and Exercise of Powers by the Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter."

2. Roles and Responsibilities of the Remuneration Committee:

Carry out the following duties in good faith and submit recommendations for discussion by the Board of Directors:

1. Establishing and periodically reviewing the performance assessments for directors and managerial officers and the policies, systems, standards, and structure for their compensation.
2. Periodically evaluating and formulating directors' and managerial officers' compensation.

"Compensation" as used in the preceding two paragraphs includes cash compensation, stock options, profit sharing and stock ownership, retirement benefits or severance pay, allowances or stipends of any kind, and other substantive incentive measures.

3. ration of Remuneration Committee:

I. The Ardentec Remuneration Committee has four members.

II. Current term for the members: From June 28, 2017 through to June 27, 2020. The Remuneration Committee was convened 3 times (A) in 2018. The members' qualifications and attendance were as follows:

| Title | Name | Attended in person (B) | Attendance by proxy | Attendance rate (%) (B/A) | Remarks |
|---|---|---|---|---|---|
| Convener | Chen-I Chia | 3 | 0 | 100 % | |
| Committee Member | Ta-Hsiung Chen | 3 | 0 | 100 % | |
| Committee Member | Wei-Shan Hu | 3 | 0 | 100 % | |
| Committee Member | Lai-Juh Chen | 3 | 0 | 100 % | |

Other matters that require reporting:

I. If the Board of Directors did not adopt or revised the recommendations of the Remuneration Committee, it should describe the date and session of the Board meeting, agenda item, resolutions adopted by the Board, and actions taken by the Company in response to the opinion of the Remuneration Committee (if the salary or remuneration approved by the Board was higher than that recommended by the Remuneration Committee then describe the difference and the reason): None.

II. If a member opposes a resolution the Committee has adopted or has reservations with a written record or a statement, the date and session of the meeting, agenda item, the resolution, opinions of all the members, and the handling of their opinions shall be indicated: None.

III. The agenda of the Remuneration Committee in 2018, resolutions made by the Committee and the Company's handling of Committee members' opinions:

1. 2nd Meeting of the 3rd Remuneration Committee (March 8, 2018)

| Agenda item | Resolution | The Company's response to Remuneration Committee's opinion |
|---|---|---|
| Proposed remuneration for Directors and Supervisors in 2017 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |
| Remuneration for Company managerial officer serving as the representative for Giga Solution Tech. Co., Ltd. in 2017 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |
| Proposed employee remuneration for the Company's managerial officers in 2017 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |
| Adjustment to Company managerial officers' salaries for 2018 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |
| Proposal for evaluating the performance of Company managerial officers in 2017 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |

2. 3rd Meeting of the 3rd Remuneration Committee (May 3, 2018)

| Agenda item | Resolution | The Company's response to Remuneration Committee's opinion: |
|---|---|---|
| Compile list of managerial officers that will receive restricted stock units and the number of units to give | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |

3. 4th Meeting of the 3rd Remuneration Committee (December 20, 2018)

| Agenda item | Resolution | The Company's response to Remuneration Committee's opinion |
|---|---|---|
| Determine the remuneration for Senior Director Aaron Chuang who commenced work on December 3, 2018 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |
| Proposed annual performance bonus for Company managerial officers in 2018 | Passed unanimously as proposed after the Chairman put the matter to a vote by all Committee members in attendance. | Not applicable |

(V) Efforts on fulfillment of social responsibility

Fulfillment of social responsibility

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Enforcing Corporate Governance | | | The details are disclosed in the following sections of the annual CSR report: | |
| (I) Does the Company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis? | ✓ | | (I) Corporate Social Responsibility Report<br>2.1 CSR Policies<br>3.1 Governance Principles | No deviation |
| (II) Did the Company provide social responsibility training on a regular basis? | ✓ | | (II) Corporate Social Responsibility Report<br>5.4 Career Development | No deviation |
| (III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior managerial officers and reports its progress to the Board of Directors? | ✓ | | (III) Corporate Social Responsibility Report<br>2.2 CSR organization<br>3.1 Governance Principles | No deviation |
| (IV) Did the Company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems? | ✓ | | (IV) Corporate Social Responsibility Report<br>5.3 Compensation and Benefits<br>A set of clear and effective "Employee Incentive and Disciplinary Regulations" has been defined by Ardentec | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| II. Development of a sustainable environment | | | | |
| (I) Is the Company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment? | ✓ | | (I) Corporate Social Responsibility Report<br>4.7 Waste Management | No deviation |
| (II) Has the Company established a proper environmental management system based on the characteristics of the industry? | ✓ | | (II) Corporate Social Responsibility Report<br>4.3 Green Management System | No deviation |
| (III) Has the Company taken note of any impacts climate change has had on its operations and engaged in measuring greenhouse gas emissions, establishing a corporate energy conservation and carbon reduction strategy, as well as establishing a greenhouse gas reduction strategy? | ✓ | | (III) Corporate Social Responsibility Report<br>4.4 Disclosure of environmental information<br>4.5 Management of GHG | No deviation |
| III. Upholding public interest | | | | |
| (I) Has the Company formulated appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? | ✓ | | (I) Corporate Social Responsibility Report<br>5.1 Employee Partnership Policy | No deviation |
| (II) Has the Company set up an employee hotline | ✓ | | (II) Corporate Social Responsibility Report | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| or grievance mechanism to handle complaints properly? | | | 5.6 Labor-Management Harmony | |
| (III) Does the Company provide a safe and healthy working environment and provide employees with regular safety and health training? | ✓ | | (III) Corporate Social Responsibility Report<br>5.5 Occupational health and safety | No deviation |
| (IV) Has the Company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them? | ✓ | | (IV) Corporate Social Responsibility Report<br>5.6 Labor-Management Harmony | No deviation |
| (V) Has the Company established an effective career development and capability training program for employees? | ✓ | | (V) Corporate Social Responsibility Report<br>5.4 Career Development | No deviation |
| (VI) Has the Company established any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service? | ✓ | | (VI) Corporate Social Responsibility Report<br>6. Customer Service and Supplier Management | No deviation |
| (VII) In terms of the marketing and labeling of products and services, has the Company followed relevant laws, regulations, and international norms? | ✓ | | (VII) Ardentec is a provider of technical services and our "CSR Policy Management Procedure" sets out the requirements for compliance on business ethics, international principles and | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (VIII) Before doing business with suppliers, does the Company assess whether or not the suppliers have had previous records of negatively affecting the environment or society? | ✓ | | regulations. The "Ethical Corporate Management Best Practice Principles" also sets rules on compliance, banning of unreasonable gifts, hospitality and other improper benefits, and prohibition against violation of intellectual property rights. The "Guidelines on Acceptance on Gifts and Hospitality" were also formulated by Ardentec to ensure that the Company adheres to the highest ethical standards in all commercial interactions.<br>(VIII) The "Supplier Management Regulations" and "Supplier Corporate Social Responsibility Code of Conduct" defined by Ardentec sets out the CSR requirements for suppliers. Suppliers must also sign the "Supplier Corporate Social Responsibility Code of Conduct" and commit to CSR compliance. | No deviation |
| (IX) Do the Company's contracts with major suppliers include a clause that states that if | ✓ | | (IX) The "Supplier Management Specification" and "Supplier CSR Code of Conduct" defined by | No deviation |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| the supplier violates our corporate social responsibility policies, resulting in significant impacts to the environment and society, the Company retains the right to terminate the contracts at any time? | | | Ardentec sets out the CSR requirements for suppliers. The "Vendor In-house Management Procedure" includes a clause for immediate termination or cancellation of contracts in the event of a supplier making a significant impact on the environment or society. | |
| IV. Enhancing information disclosure<br>(I) Has the Company disclosed relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System? | ✓ | | (I) Ardentec discloses its CSR information through the "CSR" area of the Ardentec website, Market Observation Post System, the publication of the annual CSR report, and the annual report for shareholders' meetings. | No deviation |

V. If the Company has established corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any difference between the principles and their implementation:

Current Ardentec operations do not deviate from the Company's "Corporate Social Responsibility Best Practice Principles."

VI. Other key information useful for explaining status of corporate social responsibility practices:

(I) Employee interests: Ardentec and subsidiaries adhere strictly to local laws on working conditions and labor rights. The "CSR Code of Conduct", "Human Right Protection Specification", "Grievance and Reporting Regulation" and "Regulation for Labor-Management Meeting" were also formulated in accordance with the Responsible Business Alliance (RBA) Code of Conduct to ensure that employee rights are properly protected. No use of child labor under the age 16 and all forms of coerced labor. All work or overtime should only be carried out on a voluntary basis.

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (II) Employee care:<br>(1) Organize national health insurance, labor insurance and company insurance for employees<br>(2) Establishment of an employee welfare committee for organizing employee vacation, setting up employee clubs, and various employee benefits<br>(3) On-the-job training for employees<br>(4) Provision of regular health exams<br>(5) Making of mandatory pension contributions<br>(6) Ardentec organizes labor-management meetings every quarter. There is a suggestion box on the internal website, physical suggestion boxes and an e-mail for whistleblower complaints that provide employees with multi channels to express their ideas, suggestions or complaints directly or anonymously.<br>(7) Clinics are provided with regular on-site consultations by occupational disease specialists. Services include treatment and prevention of occupational/general injuries/diseases, health consultation and first-aid. The clinics and nurses at Taiwan headquarters and each business site organize health promoting activities on an ad hoc basis to promote healthy workplace concepts.<br>(8) Employee recreation & health centers provide employees with a convenient place to go for exercise. The Employee Welfare Committee hires outside instructors to teach about belly dancing, yoga, aerobics classes and stretching exercises for the office. There are also classes that teach employees about physical and mental well-being.<br>(III) Investor relations: The Company has appointed a spokesperson and deputy spokesperson to handle shareholder inquiries, suggestions or disputes. | | | | |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

(IV) Implementation of risk management policies and risk assessment standards:

Risk management at Ardentec is divided into operational risks, safety risks, legal and intellectual property risks, information risks, labor and human rights risks, and business ethics risks.

(1) Operational risks: For business continuity and emphasis on the rights and interests of stakeholders, and in order to ensure that the overall operation is free of any risks that may disrupt our operations, ISO 22301 Business Continuity Management System (BCMS) International Standard verification was approved, covering the four factories under the Taiwan headquarters and the Singapore subsidiary.

The Business Continuity Policy and Business Continuity Management Handbook have been established. All employees must duly comply with business continuity related operation procedures and protect the Company in the event of operation disruption so as to safeguard key operational processes from the effects of major disasters, sabotage, or equipment failure.

The Supply Chain Risk Assessment Guidelines are established to prevent supply chain disruption and reduce the risk of operational resources disruption.

Ardentec has established the Business Continuity Management Committee, complies with the business continuity operation, and performs regular business impact analysis (BIA), risk assessments (RA), disaster drills, and surveys of stakeholder issues of concern. Every year, the Committee conducts internal audits and management review meeting on the Company's business continuity management system, during which the system is monitored, measured, analyzed, and evaluated to ensure the effectiveness of the Business Continuity Management System. All employees must perform annual business continuity management training.

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| To continuously strengthen the management ability of business continuity risks, all supervisors implement daily management tasks, observing internal and external changes. When latent risks are likely to pose an impact on the Company, they must comply with the response measures and plans of the business continuity management system to reduce the probability of business disruption.<br>(2) Financial risks: Focusing our efforts solely on the semiconductor testing business, and not engaging in any high-leverage or high-risk investments. Ardentec and its subsidiaries all implement a stringent approach towards financial and financial market management; we also control our operations and profit risks at all times, and further coordinate in devising strategies to accommodate changes in the industry economy and ultimately deliver stable semiconductor testing business performance and earnings.<br>The Internal Audit Office and CPA carry out in-depth audits every year to check and prevent possible financial risks. We also publish the CPA audit on a regular basis, hold shareholder meetings, host institutional investor conferences on an ad hoc basis, and publish relevant financial risk information on the Market Observation Post System. The Company also makes regular disclosures of financial and business information on its website to keep stakeholders informed of the Company's risk management activities.<br>(3) Safety risks: The Company has put a set of Environmental Considerations/Hazard Identification and Risk Assessment Procedures in place to identify the existence characteristics and risk level of causes that may possibly result in staff injuries, illnesses, loss of property, damages to the work environment, or the combination of any of the aforesaid latent risks, for the reference of continuous improvement decision for safety and health policy, goals and management plan.<br>Emergency Response Plans have been drawn up in accordance with the Emergency Response Control Procedure to define | | | | |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

response measures for typhoons, earthquakes, and other natural disasters. Each factory has its own emergency response team with regular emergency response drills and fire evacuation drills to develop employees' ability to respond to emergencies and raise their safety awareness. These measures help to reduce the risk of disasters from accidents.

Ardentec headquarters as well as its subsidiaries in Singapore, Korea and Nanjing have completed ISO 45001 or OHSAS 18001 audits to effectively manage safety-related risks through an international management system.

(4) Legal and intellectual property risks: The Company has established "Intellectual Property Rights Protection Guidelines" to ensure the protection and proper use of intellectual property rights in the technology industry; All employees undergo training on "Introduction to the Trade Secrets Act, Precautions and Intellectual Property Rights" to strengthen risk management. Changes in local and foreign policies, social and economic laws and regulations that affect the operational situation, or patents that are relevant to the Company's operations are closely monitored at all times. As of 2018, there were no violations of laws and regulations.

The Corporate Social Responsibility Committee identifies the compliance of various business-related laws and regulations on a quarterly basis according to the Regulatory Identification Procedures. Necessary adjustments are made to the internal systems and business activities in response to changes in laws and regulations to ensure the legality and lawfulness of the Company's operations.

(5) Information risks: Information is the lifeblood of the technology industry and customers. In order to achieve strict protection of information security, documents related to information security, including the information security manual, have been

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| developed. All employees must follow the information security regulations and requirements and implement the protection of information security matters to ensure the safety of customers and Company's information and facilities. All employees must attend information security education every year.<br>All system development and maintenance, data access, backup mechanism, virus and network intrusion have rigorous protection measures. The computer room is equipped with an automatic fire extinguishing system, un-interruptible power system, and video surveillance measures.<br>The Information Security Committee has developed multiple information security protection mechanisms and conducts regular risk assessments. The Committee convenes a management review meeting every six months and continues to make improvements. The Taiwan headquarters as well as subsidiaries in Singapore, Korea and Nanjing have all been certified on the ISO 27001 standard. Ardentec headquarters' Dingxing factory, Kaiyuan factory, Gaosheng factory data room, Baoqing factory data room, and Singapore subsidiary have all passed the Common Criteria verification. The robust protection provided by Ardentec's information security and physical security systems means that there has been no customer complaints due to the leaking of business or personal information as of 2018.<br>(6) Labor and human rights risks: Our "Human Rights Protection Guidelines" and the "Labor Broker Management Guidelines" fixed-term contract template ensure the proper protection of workers' human rights. The Company has also listed a variety of reporting and complaint channels on the internal website and corporate website. Any human rights related issues can be reported directly or anonymously to ensure that they are received and dealt with promptly. Protective operation of the Human Resources Department to check the recruitment process of all labor recruited abroad; The Human Resources Department audits domestic and foreign labor | | | | |

| Assessed areas | Implementation status | | | Deviations from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |

agencies every year to confirm that employees do not have any human rights risks in the recruitment process. As of 2018, there have been no violations of labor or human rights.

(7) Business ethics risks: The "Business Ethics Risk Management Procedure" was established to identify potential risks in business ethics. Business activities identified as high risk are subject to appropriate control mechanisms to reduce risk.

Each department conducts annual business ethical risk identification and assessment. Assessments identified minimal risks that can effective managed through existing control measures so there have been no violations of business ethics.

(V) Implementation of customer relations policies: Dedicated sales personnel at Ardentec and subsidiaries are assigned to responding to all customer requirements in a timely manner in order to maintain stable and positive customer relations.

(VI) Company purchase of liability insurance for Directors:

| Insured party | Insurance Company | Insurance coverage | Insurance period |
|---|---|---|---|
| All Directors and managerial officers | Fubon Insurance Co., Ltd. | 15 million USD | From October 31, 2018 through to October 31, 2019 |

VII. If the corporate social responsibility reports have been certified by external institutions, they should state so below:

The CSR Report of Ardentec has been verified by the British (BSI) as being in compliance with the GRI Core Disclosures as well as Type 1 Moderate Assurance of the AA1000 AS Assurance Standards. An independent declaration has been issued by BSI as well.

(VI) Ethical corporate management and measures adopted

Implementation of ethical management

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| I. Establishment of ethical corporate management policy and approaches | | | | |
| (I) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the Board of Directors and the managerial officers committed in fulfilling this commitment? | ✓ | | (I) Ardentec has made a public commitment to a policy of ethical management through the "Ethical Corporate Management Best Practice Principles." The "Regulations Governing Procedure for Board of Directors Meetings" also includes rules to prevent conflicts of interest. Directors of the Company and subsidiaries may offer his opinion and answer related questions but is prohibited from participating in discussion of or voting on any proposal of a board of director's meeting where the director or any institution that the director represents is an interested party, and such participation is likely to prejudice the interests of the company; neither shall a director vote on such proposal as proxy for any other director in | No deviation |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | such circumstances. All Directors and managerial officers must adhere to the regulations of the Company Act and Securities and Exchange Act, carry out their duties as a professional manager in good faith, and must not have been subjected to disciplinary action by the competent authorities due to serious faults, insider trading or similar events. | |
| (II) Does the Company have any measures against dishonest conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems? | ✓ | | (II) The "Ethical Corporate Management Best Practice Principles" of Ardentec prohibits all unethical behavior. Disciplinary measures and an appeals process has also been defined for violating the rules on ethical management. To enforce the business philosophy and policies of the Best Practice Principles, Ardentec has drawn up a "Corporate Social Responsibility Policy Management Procedure." The substantive measures and controls included in the "Ethical Guidelines" section comply with the relevant regulations. | No deviation |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (III) Has the Company taken steps to prevent occurrences listed in all subparagraphs under Article 7, Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" or business conduct that are prone to integrity risks? | ✓ | | (III) The Company's "Ethical Corporate Management Best Practice Principles" has been published in the Corporate Governance area of the Ardentec website. All employees are required to undergo anti-corruption training. As of December 31, 2018, all employees of Ardentec have completed the anti-corruption training.<br>A "Conflict of Interest Declaration" has been completed by all managerial officers above the grade of department head (inclusive) and personnel involved in external business transactions for 2018. | No deviation |
| II. Full Implementation of Ethical Management Principles<br>(I) Does the Company evaluate the integrity of all counterparties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners? | ✓ | | (I) All suppliers are expected to adhere to the "Supplier Management Regulations" and "Supplier CSR and Ethics Guidelines" to ensure that both parties have concrete agreements in place on CSR-related guideline in order to fulfill the goal of cooperation | No deviation |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | throughout the industry chain on CSR fulfillment. | |
| (II) Does the Company have a unit that specializes (or is involved) in business integrity? Does this unit report its progress to the Board of Directors on a regular basis? | ✓ | | (II) The "CSR Committee" established by Ardentec is not only responsible for the formulation, proposal and implementation of CSR policies and systems. It is also responsible for promoting ethical corporate management. The Committee is chaired by the General Manager and consists of high-level executives from across different departments. The Committee makes regular reports to the Board on the execution of CSR and ethical management yearly. | No deviation |
| (III) Has the Company established policies to prevent conflicts of interests, implemented such policies, and provided adequate channels of communications? | ✓ | | (III) The "Ethical Corporate Management Best Practice Principles" define a code of conduct for Ardentec that is aimed at preventing conflicts of interests. Department head and higher managerial officers make "Conflict of Interest Declarations" every year that are reviewed to ensure there are no conflicts of | No deviation |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (IV) Has the Company established effective accounting systems and internal control systems for enforcing ethical corporate management? Are regular audits carried out by the Company's internal audit unit or commissioned to a CPA?<br><br>(V) Did the Company periodically provide internal and external training programs on integrity management? | ✓<br><br>✓ | | interest. Ardentec has a dedicated channel for complaints relating to violations of conflicts of interest or ethical management that is published on the corporate website.<br>(IV) Effective accounting systems, internal controls and internal management regulations have already been put into place. Internal auditors regularly audit compliance at Ardentec and subsidiaries to prepare audits reports. The chief auditor attends meetings of the Board and Audit Committee to report on audit operations.<br>(V) "CSR and RBA Code of Conduct" training is conducted by Ardentec every year to teach employees the importance of ethical management. "Supplier CSR and Ethics Guidelines" are sent out to suppliers every year to lay out the ethical management policy and requirements of Ardentec. | No deviation<br><br>No deviation |
| III. Implementation of the Company's Whistleblowing System | | | | |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| (I) Has the Company established concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?<br><br>(II) Has the Company established standard operating procedures for investigating reported cases and related confidentiality mechanism?<br><br>(III) Did the Company adopt measures for protecting the whistle-blower against improper treatment or retaliation? | ✓<br><br>✓<br><br>✓ | | (I) Ardentec provides online suggestion boxes, physical suggestion box for anonymous submissions, and dedicated e-mail address for whistle-blowing or complaints. The Division Director of the CSR Division has been assigned to process complaints and whistle-blowers are provided with suitable protection.<br>(II) The "Whistleblower Regulations" defines the standard operating procedure for processing whistle-blower complaints and the corresponding confidentiality mechanism.<br>(III) The "Whistleblower Regulations" protect whistleblowers against improper retaliation. | No deviation<br><br>No deviation<br><br>No deviation |
| IV. Enhancing information disclosure<br>(I) Has the Company disclosed its integrity principles and progress onto its website and Market Observation Post System (MOPS)? | ✓ | | The Company's "Ethical Corporate Management Best Practice Principles" has been published in the Corporate Governance area of the Ardentec website. A CSR report is published every year to the | No deviation |

| Assessed areas | Implementation status | | | Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons |
|---|---|---|---|---|
| | Yes | No | Summary | |
| | | | Ardentec website and Market Observation Post System to disclose progress made on promoting ethical management. All Company operations comply with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, regulations relating to publicly listed/trade companies, and other regulations governing business behavior. | |
| V. The Company shall establish its own Code of Business Integrity based on the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-Listed Companies" and clearly articulate the differences between its operations and the established code.<br>Current Ardentec operations does not deviate from the Company's "Ethical Corporate Management Best Practice Principles." | | | | |
| VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: (such as the status of the Company's efforts to review and revise its Ethical Corporate Management Best Practice Principles )<br>The Ethical Corporate Management Best Practice Principles are enforced by Ardentec. As of December 31, 2018, all employees have completed anti-corruption training. A "Conflict of Interest Declaration" has also been completed by all managerial officers above the grade of department head (inclusive) and personnel involved in external business transactions. | | | | |

(VII) If the Company has established corporate governance principles and related guidelines, disclose the means of accessing this information:

The "CSR" area and "Corporate Governance" area on the Ardentec website http://www.ardentec.com can be used to search the Company's internal management regulations.

- Articles of Incorporation
- Directors and Supervisors Election Policy
- Shareholders' Meeting Policy
- Asset Acquisition or Disposal Procedures
- Procedure for Engaging in Derivative Product Trading
- Third-party Lending Procedure
- Endorsement Guarantee Procedure
- Procedure for Prevention of Insider Trading and Handling of Material Internal Information
- Corporate Governance Best Practice Principles
- Corporate Social Responsibility Best Practice Principles
- Ethical Corporate Management Best Practice Principles
- Rules Governing the Evaluation of Board Performance

(VIII) Other significant information which may improve the understanding of corporate governance and operation may be disclosed as well

1. Continuing education and training relating to corporate governance undertaken by managerial officers

| Title | Name | Date of Continuing Education | Organizer | Course Name | Hours of Continuing Education |
|---|---|---|---|---|---|
| CEO | Chih-Yuan Lu | 2018/03/16 | Taiwan Corporate Governance Association | Effect of international systems for preventing tax-avoidance and money-laundering, and measures that can be taken in response | 3 |
| | | 2018/05/03 | Taiwan Corporate Governance Association | Common rental and tax disputes during corporate mergers | 3 |
| | | 2018/10/22 | Taiwan Corporate Governance Association | The development of Corporate Governance Evaluation and response measures | 3 |
| | | 2018/11/01 | Taiwan Corporate Governance Association | Dealing with anti-tax avoidance policy and measures | 3 |
| | | 2018/11/09 | Taiwan Corporate Governance Association | Guide to the legalities of corporate mergers | 3 |

| Title | Name | Date of Continuing Education | Organizer | Course Name | Hours of Continuing Education |
| --- | --- | --- | --- | --- | --- |
| President | Chi-Ming Chang | 2018/05/03 | Taiwan Corporate Governance Association | Common tax disputes during corporate mergers | 3 |
| | | 2018/11/01 | Taiwan Corporate Governance Association | Dealing with anti-tax avoidance policy and measures | 3 |
| Accounting Managerial Officer | Leslie Guh | 2018/06/21 | Accounting Research and Development Foundation of ROC | Analysis of the latest regulations and practices in "Listing of Overseas Companies in Taiwan" and "Public Listing in the US" | 3 |
| | | 2018/08/08 | Accounting Research and Development Foundation of ROC | An examination of legal responsibility in "Employee Corruption" and how to identify corruption | 3 |
| | | 2018/08/31 | Accounting Research and Development Foundation of ROC | Types of "special breach of trust" in economic crimes, case studies and related legal responsibility | 3 |
| | | 2018/12/07 | Accounting Research and Development Foundation of ROC | The effect of different employee incentive schemes on company finances and taxes along with real-world examples | 3 |

2. Procedure for Material Internal Information: Ardentec has defined the "Procedure for Prevention of Insider Trading and Handling of Material Internal Information" and published them on the corporate website http://www.ardentec.com. An "Investor Relations/Corporate Governance" area has also been set up to give investors a better understanding of the Company's corporate governance activities.
3. Employee Code of Conduct or Ethics: The "CSR Policy Management Procedure" was formulated to serve as a basis for the management of CSR policies and employees' code of ethics.

(IX) Status of implementation of internal control system

1. Internal Control System Statement: Please refer to page 93.
2. If the Company engages an accountant to examine its internal control system, disclose the CPA audit report: Not applicable.

(X) Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None.

(XI) Important resolutions adopted in shareholders' meetings and Board of Directors' meetings in the past year and up to the date of report

1. Report on the execution of resolutions adopted at the 2018 **general shareholders' meeting**

| Date | Important resolutions | Implementation |
|---|---|---|
| 2018.05.29 | Acknowledged the Company's 2017 business report and financial statements (including the consolidated financial statement). | Outcome of resolutions sent out to each shareholder in accordance with Article 230 of the Company Act. |
| | Ratified the Company's 2017 earnings distribution proposal. | Set August 28, 2018, as the baseline date for cash dividends distributed on September 14, 2018. |
| | Passed revision to the Third-party Lending Procedure. | Follow the revised procedure. |

2. Important resolutions adopted by **the Board of Directors** in 2018 and up to February 27, 2019

| Date | Important resolutions |
|---|---|
| 2018.03.08 | (1) Passed the Company's 2017 financial report (for both consolidated and individual entities).<br>(2) Passed the proposed distribution of remuneration for employees, directors and supervisors in 2017.<br>(3) Passed the proposal to sign a syndicated credit agreement.with financial institutions.<br>(4) Passed the Company's 2017 "Internal Control System Statement."<br>(5) Passed the Company's 2017 Business Report.<br>(6) Passed revisions to the "Third-party Lending Procedure."<br>(7) Passed proposal to retire restricted stock awards. |

| | |
|---|---|
| | (8) Passed the proposed distribution of Company earnings for 2017.<br>(9) Passed the proposal time, location and reason for convening Ardentec's 2018 General Shareholders Meeting.<br>(10) Passed matters relating to the processing of shareholder proposals. |
| 2018.05.03 | (1) Passed proposal to issue restricted stock awards for 2017. |
| 2018.08.02 | (1) Passed proposed budget for construction of new factory extensions in 2018.<br>(2) Passed the proposed baseline date and other matters relating to the distribution of Company earnings for 2017. |
| 2018.11.01 | (1) Passed proposal to retire restricted stock awards.<br>(2) Passed the audit plan proposed for Ardentec in 2019.<br>(3) Passed the Ardentec "Rules Governing the Evaluation of Board Performance."<br>(4) Passed the appointment of the CPA for financial and taxation affairs in 2019. |
| 2018.12.20 | Passed the business plan proposed for Ardentec for 2019. |
| 2019.02.27 | (1) Passed the Company's 2018 financial report (for both consolidated and individual entities).<br>(2) Passed the proposed distribution of remuneration for employees and directors in 2018.<br>(3) Passed the Company's 2018 "Internal Control System Statement."<br>(4) Passed the Company's 2018 Business Report.<br>(5) Passed revisions to "Asset Acquisition or Disposal Procedures."<br>(6) Passed revisions to "Third-party Lending Procedure."<br>(7) Passed revisions to "Endorsement Guarantee Procedure."<br>(8) Passed the proposed distribution of Company earnings for 2018.<br>(9) Passed the proposal time, location and reason for convening Ardentec's 2019 General Shareholders Meeting.<br>(10) Passed matters relating to the processing of shareholder proposals. |

(XII) Summary of dissenting or qualified opinions issued by directors or supervisors on important resolutions passed by the board of directors that are on record or stated in writing in the past year and up to the date of report: None.

(XIII) Resignation and dismissal of professional managerial officers related to the financial report including Chairman, General Manager, Chief Accounting Officer, Chief Financial Officer, Chief R&D Officer and Chief Internal Auditor, in the past year and up to the date of report: There was no dismissal or resignation of Ardentec personnel linked to the financial report.

IV. Information on Fees to CPA

| Name of accounting firm | Name of Accountants | | Duration of audit | Remarks |
|---|---|---|---|---|
| PricewaterhouseCoopers Taiwan | Irene Wen | Lin, Yu-Kuan | 2018.01.01 - 2018.12.31 | |

Note: If the Company changed the CPA or accounting firm this year then their respective audit periods should be listed and reason for the change provided in the Remarks.

| Amount bracket \ Paid item | | Audit fee | Non-audit fee | Total |
|---|---|---|---|---|
| 1 | Below 2,000,000 NTD | | | |
| 2 | 2,000,000 NTD (inclusive) ~ 4,000,000 NTD | | 1,366 | |
| 3 | 4,000,000 NTD (inclusive) ~ 6,000,000 NTD | | | |
| 4 | 6,000,000 NTD (inclusive) ~ 8,000,000 NTD | 6,850 | | |
| 5 | 8,000,000 NTD (inclusive) ~ 10,000,000 NTD | | | 8,216 |
| 6 | Greater than 10,000,000 NTD | | | |

(I) Where the percentage of non-audit fees paid to the CPA, the CPA's accounting firm or their affiliates exceeds 25% the amount of audit and non-audit fees as well as the details of the non-audit services should be disclosed: Unit: Thousand NTD

| Name of accounting firm | Accountant Name | Audit Fee | Non-audit fee | | | | | Accountant's duration of audit | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | | | System design | Business registration | Human Resources | Others | Subtotal | | |
| PricewaterhouseCoopers Taiwan | Irene Wen<br>Lin, Yu-Kuan | 6,850 | 0 | 170 | 0 | 1,196 | 1,366 | 2018.01.01 - 2018.12.31 | Note |

Note: Fee of 700,000 NTD for transfer pricing services, fee of 260,000 NTD for investment consulting services, fee of 50,000 NTD for issue of restricted stock awards, and advance payment of 186,000 NTD.

(II) If the Company changed the accounting firm and the amount of audit fee paid in the year of change is less than that of the preceding, disclose the amount and percentage of decrease, and the reason: Not applicable.

(III) If the audit fee decreased by more than 15% compared to the previous year, disclose the amount and percentage of decrease, and the reason: Not applicable.

V. Information on Change of CPA: None.

VI. If the Chairman, General Manager and Financial or Accounting Managerial Officer of the Company had previously worked for the Independent CPA or the affiliate in the past year then their name, title, as well as their period of service with the accounting firm of the independent CPA or its affiliates should be disclosed. None.

VII. Share transfer by directors, supervisors, managerial officers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

(I) Changes in Directors, Supervisors, managerial officers or major shareholders

Unit: Share

| Title | Name | 2018 | | 2019 As of April 1 | |
|---|---|---|---|---|---|
| | | No. of shares held Increase (decrease) in | pledged shares Increase (decrease) in | No. of shares held Increase (decrease) in | pledged shares Increase (decrease) in |
| Chairman and CEO | Chih-Yuan Lu | (151,000) | 0 | 0 | 0 |
| Vice Chairman and President | Chi-Ming Chang | (51,000) | 0 | 0 | 0 |
| Director | Macronix International Co., Ltd. | 0 | 0 | 0 | 0 |
| | Representative: Yen-Hie Chao | 0 | 0 | 0 | 0 |
| Director | Kingwell Investment Inc. | 0 | 1,700,000 | 0 | 0 |
| | Representative: Mickey Ken | 0 | 0 | 0 | 0 |
| Director | Homey Consulting Corporation | 0 | 0 | 0 | 0 |
| | Representative: Ding-Hua Hu | 0 | 0 | 0 | 0 |

| Title | Name | 2018 | | 2019 As of April 1 | |
|---|---|---|---|---|---|
| | | No. of shares held Increase (decrease) in | pledged shares Increase (decrease) in | No. of shares held Increase (decrease) in | pledged shares Increase (decrease) in |
| Director | Chiu Chiang Investment Co., Ltd. | (545,000) | 0 | 0 | 0 |
| | Representative: Jing Amy Chao | 0 | 0 | 0 | 0 |
| Director | Liang-Po Chen | 0 | 0 | 0 | 0 |
| Director | Sheng Tang Investment Ltd. | 0 | 0 | 0 | 0 |
| | Representative: James Song | 0 | 0 | 0 | 0 |
| Director | BVI Valutek Inc. | 0 | 0 | 0 | 0 |
| | Representative: Dahchieh Otto Cheng | 0 | 0 | 0 | 0 |
| Independent Director | Ta-Hsiung Chen | 0 | 0 | 0 | 0 |
| Independent Director | Wei-Shan Hu | 0 | 0 | 0 | 0 |
| Independent Director | Chen-I Chia | 0 | 0 | 0 | 0 |
| Independent Director | Lai-Juh Chen | 0 | 0 | 0 | 0 |
| Senior Vice President | Shuh-Jiunn Liaw | (126,000) | 0 | 0 | 0 |
| Vice President | Johnny Ding | 46,500 | 0 | 0 | 0 |
| Vice President | Yung-Song Lou | (81,500) | 0 | 0 | 0 |
| Vice President | C. C. Rou | (81,500) | 0 | 0 | 0 |
| Vice President | Jimmy Wang | (122,200) | 0 | 0 | 0 |
| Vice President | Raymond Kao | (160,000) | 0 | 0 | 0 |
| Senior Director | Ken-Jung Hsu | (79,000) | 0 | 0 | 0 |
| Senior Director | Hui-Ling Kuo | (78,500) | 0 | 0 | 0 |
| Senior Director | Hui Min Wang | (62,700) | 0 | 0 | 0 |
| Senior Director | Michael Huang | (40,700) | 0 | 0 | 0 |
| Senior Director | Aaron Chuang | 0 | 0 | 0 | 0 |
| Project Senior Director | Fu-Wan Sheu | (129,400) | 0 | 0 | 0 |
| Project Senior Director | Bill Kang | (51,000) | 0 | 0 | 0 |
| Project Senior Director | Yanming Gao | 0 | 0 | 0 | 0 |
| Accounting Managerial Officer | Leslie Guh | (23,500) | 0 | 0 | 0 |

Note: The main reasons of held share numbers variation are due from the vested share numbers of restricted stock awards and those transferred into trust custodian account according to restricted stock awards policy.

(II) Share transfer information: None.

(III) Share pledge information:

| Name | Reasons for changes in pledged shares | Date of change | Other transaction party | Relationship between other transaction party with Company Directors, Supervisors, and shareholders with more than 10% of the Company's shares | Shares | Percentage of shares | Pledged ratio | Amount pledged (redeemed) |
|---|---|---|---|---|---|---|---|---|
| Kingwell Investment Inc. | Pledged | 2018.11.26 | First Securities unrestricted pledgee account | None | 1,700,000 | 0.82% | 42.33% | |

VIII. Information on the relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

April 1, 2019 Unit: Share

| Name | Personal Shareholding | | Shares held by spouse and underage children | | Total shareholding by nominee arrangement | | Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | Name (or name) | Relationship | |
| Macronix International Co., Ltd. | 35,951,871 | 7.33% | 0 | 0 | 0 | 0 | None | None | |
| Representative: Min-Chiu Wu | 0 | 0% | 0 | 0 | 0 | 0 | None | None | |
| Cathay Life Insurance Co., Ltd. | 31,854,000 | 6.50% | 0 | 0 | 0 | 0 | None | None | |
| Representative: Tiao-Kui Huang | 0 | 0% | 0 | 0 | 0 | 0 | None | None | |

| Name | Personal Shareholding | | Shares held by spouse and underage children | | Total shareholding by nominee arrangement | | Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) | | Remarks |
|---|---|---|---|---|---|---|---|---|---|
| | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | Name (or name) | Relationship | |
| New Labor Pension Fund | 16,525,500 | 3.37% | 0 | 0 | 0 | 0 | None | None | |
| BVI Valutek Inc. | 15,972,408 | 3.26% | 0 | 0 | 0 | 0 | None | None | |
| Representative: Chi-Ming Chang | 3,901,070 | 0.80% | 0 | 0 | 0 | 0 | None | None | |
| Investment account of Norges Bank managed by Citibank Taiwan | 11,171,998 | 2.28% | 0 | 0 | 0 | 0 | None | None | |
| Management Board of Public Service Pension Fund | 9,435,000 | 1.92% | 0 | 0 | 0 | 0 | None | None | |
| Old Labor Pension Fund | 8,573,500 | 1.75% | 0 | 0 | 0 | 0 | None | None | |
| Taiwan Life Insurance | 8,350,000 | 1.70% | 0 | 0 | 0 | 0 | None | None | |
| Representative: Shi-kuo Huang | 0 | 0% | 0 | 0 | 0 | 0 | None | None | |
| Investment account of LSV Emerging Markets Equity Limited Partnership managed by Bank of Taiwan | 8,051,673 | 1.64% | 0 | 0 | 0 | 0 | None | None | |
| Vanguard Total International Stock Index Fund of Vanguard Star Funds managed by J.P. Morgan | 7,819,909 | 1.59% | 0 | 0 | 0 | 0 | None | None | |

IX. The shareholding of the Company, Directors, Supervisors, Managerial Officers and enterprises that are directly or indirectly controlled by the Company in the same invested company, and the consolidated shareholding ratio

December 31, 2018 Unit: Share

| Reinvestment Entities (Note) | Investment by the Company | | Investments by Directors, Supervisors, managerial officers and directly or indirectly controlled enterprises | | Comprehensive investment | |
|---|---|---|---|---|---|---|
| | No. of shares | Shareholding Ratio | No. of shares | Shareholding Ratio | No. of shares | Shareholding ratio |
| Sheng Tang Investment Ltd. | — | 100.00 % | — | — | — | 100.00 % |
| Valutek, Inc. | 4,870 | 100.00 % | — | — | 4,870 | 100.00 % |
| Valucom Investment, Inc. | 45,076 | 100.00 % | — | — | 45,076 | 100.00 % |
| Ardentec Singapore Pte. Ltd. | 52,500,000 | 100.00 % | — | — | 52,500,000 | 100.00 % |
| Ardentec Korea Co., Ltd. | 7,016,000 | 100.00 % | — | — | 7,016,000 | 100.00 % |
| Ardentec Semiconductor.,Ltd. | — | 100.00 % | — | 100.00% | — | 100.00 % |
| Giga Solution Tech. Co., Ltd. | 120,580,539 | 100.00 % | — | — | 120,580,539 | 100.00 % |
| Raytek Semiconductor Inc. | 29,000,000 | 31.30 % | — | — | 29,000,000 | 31.30 % |
| ValuTest Incorporated | — | — | 45,000 | 100.00% | 45,000 | 100.00% |
| Ardentec Nanjing Co., Ltd. | — | 100.00% | — | 100.00% | — | 100.00% |

Note: Long-term company investment under the equity method.

Ardentec Corporation

Internal Control System Statement

(Stock Code: 3264)

This Internal Control System Statement is based on the self-assessment results of the Company for year 2018.

I. The Company is fully aware that the establishment, implementation and maintenance of its internal control system are the responsibility of the Board of Directors and managerial officers. In this regard the Company has already established such a system. Aimed at providing reasonable assurance of the achievement of objectives in the effectiveness and efficiency of operations (including profits, performance, and safeguard of asset security), reliability of reporting, and compliance with applicable laws and regulations.

II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change and impact the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The internal control system judgment criteria adopted by the Regulations divide internal control into five elements based on the process of management control: 1. Control environment, 2. Risk assessment, 3. Control operation, 4. Information and communication, and 5. Monitoring. Each element further contains several items. For more information on the above mentioned items, please refer to the Regulations.

IV. The Company has evaluated the design and operating effectiveness of its internal control system according to the aforesaid criteria.

V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2018 its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

VI. This declaration constitutes part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or omission relating to the public statement above is subject to the legal consequences under Articles 20, 32, 171, and 174 of the Securities and Exchange Act.

VII. This Statement was passed by a meeting of the Company's Board of Directors held on February 27, 2019. None of the 13 directors in attendance raised any objects and all affirm that they agree with the contents of this declaration.

Ardentec Corporation

Chairman: Chih-Yuan Lu

President: Chi-Ming Chang

# Chapter 4. Fund Raising Situation

## I. Capital and Shareholding

### (I) Sources of capital

Unit: Thousands NTD; Thousand shares

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| 1999/10 | 10 | 300,000 | 3,000,000 | 175,467 | 1,754,670 | Established | None | None |
| 2000/08 | 11 | 300,000 | 3,000,000 | 200,467 | 2,004,670 | Cash capital increase of 250,000 thousand NTD (Note 1) | None | None |
| 2001/11 | 10 | 300,000 | 3,000,000 | 203,634 | 2,036,340 | Recapitalization of 31,670 thousand NTD in earnings and employee bonuses (Note 2) | None | None |
| 2002/08 | 10 | 330,000 | 3,300,000 | 203,634 | 2,036,340 | Authorized capital revised from 300,000 thousand shares to 330,000 thousand shares with 30,000 thousand shares set aside for employee stock option certificates. | None | None |
| 2003/09 | 10 | 330,000 | 3,300,000 | 228,634 | 2,286,340 | Cash capital increase of 250,000 thousand NTD (Note 3) | None | None |
| 2004/03 | 17 | 330,000 | 3,300,000 | 258,634 | 2,586,340 | Cash capital increase of 300,000 thousand NTD (Note 4) | None | None |
| 2004/09 | 10 | 330,000 | 3,300,000 | 274,473 | 2,744,728 | Recapitalization of 158,388 thousand NTD in earnings and employee bonuses. (Note 5) | None | None |
| 2004/11 | 10 | 330,000 | 3,300,000 | 274,502 | 2,745,023 | Employee stock option certificates worth 295 thousand NTD converted into ordinary shares (Note 6) | None | None |
| 2005/01 | 16 | 330,000 | 3,300,000 | 283,391 | 2,833,912 | Cash capital increase of 88,889 thousand NTD (Note 7) | None | None |
| 2005/03 | 10 | 330,000 | 3,300,000 | 284,799 | 2,847,992 | Employee stock option certificates worth 14,080 thousand NTD converted into ordinary shares. (Note 6) | None | None |
| 2005/05 | 10 | 330,000 | 3,300,000 | 285,404 | 2,854,037 | Employee stock option certificates worth 6,045 thousand NTD converted into ordinary shares. (Note 6) | None | None |

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| 2005/08 | 10 | 380,000 | 3,800,000 | 319,626 | 3,196,255 | Employee stock option certificates worth 1,565 thousand NTD converted into ordinary shares. Recapitalization of 340,653 thousand NTD in earnings and employee bonuses. (Notes 6, 8) | None | None |
| 2005/11 | 10 | 380,000 | 3,800,000 | 319,793 | 3,197,928 | Employee stock option certificates worth 1,673 thousand NTD converted into ordinary shares. (Note 6) | None | None |
| 2006/02 | 10 | 380,000 | 3,800,000 | 324,956 | 3,249,561 | Employee stock option certificates worth 16,237 thousand NTD and bonds worth 35,396 thousand converted into ordinary shares. (Notes 6, 9, 10) | None | None |
| 2006/06 | 10 | 500,000 | 5,000,000 | 330,278 | 3,302,782 | Employee stock option certificates worth 13,900 thousand NTD and bonds worth 39,321 thousand NTD converted into ordinary shares. (Notes 6, 9, 10) | None | None |
| 2006/09 | 10 | 500,000 | 5,000,000 | 375,653 | 3,756,530 | Employee stock option certificates worth 10,350 thousand NTD and bonds worth 131,886 thousand NTD converted into ordinary shares. Recapitalization of 311,512 thousand NTD in earnings and employee bonuses. (Notes 6, 9, 10, 11) | None | None |
| 2006/11 | 10 | 500,000 | 5,000,000 | 376,205 | 3,762,052 | Employee stock option certificates worth 5,522 thousand NTD converted into ordinary shares. (Notes 6, 9) | None | None |
| 2007/04 | 10 | 500,000 | 5,000,000 | 376,848 | 3,768,482 | Employee stock option certificates worth 6,430 thousand NTD converted into ordinary shares. (Notes 6, 9) | None | None |
| 2007/05 | 10 | 500,000 | 5,000,000 | 380,200 | 3,801,998 | Employee stock option certificates worth 16,280 thousand NTD and bonds worth 17,236 thousand NTD converted into ordinary shares. (Notes 6, 9, 10) | None | None |
| 2007/08 | 10 | 500,000 | 5,000,000 | 395,645 | 3,956,452 | Employee stock option certificates worth 6,237 thousand NTD and bonds | None | None |

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| | | | | | | worth 1,851 thousand NTD converted into ordinary shares. Recapitalization of 146,366 thousand NTD in earnings and employee bonuses. (Notes 6, 9, 10, 12) | | |
| 2007/11 | 10 | 500,000 | 5,000,000 | 399,166 | 3,991,664 | Employee stock option certificates worth 7,158 thousand NTD and bonds worth 28,054 thousand NTD converted into ordinary shares. (Notes 6, 9, 10) | None | None |
| 2008/03 | 10 | 500,000 | 5,000,000 | 400,802 | 4,008,020 | Employee stock option certificates worth 8,883 thousand NTD and bonds worth 7,473 thousand NTD converted into ordinary shares. (Notes 6, 9, 10) | None | None |
| 2008/05 | 10 | 500,000 | 5,000,000 | 401,561 | 4,015,605 | Employee stock option certificates worth 7,585 thousand NTD converted into ordinary shares. (Notes 6, 9) | None | None |
| 2008/09 | 10 | 500,000 | 5,000,000 | 413,114 | 4,131,143 | Employee stock option certificates worth 5,305 thousand NTD converted into ordinary shares. Recapitalization of 110,233 thousand NTD in earnings and employee bonuses. (Notes 9, 13) | None | None |
| 2008/11 | 10 | 500,000 | 5,000,000 | 413,234 | 4,132,335 | Employee stock option certificates worth 1,192 thousand NTD converted into ordinary shares. (Notes 6, 9) | None | None |
| 2009/02 | 10 | 500,000 | 5,000,000 | 413,360 | 4,133,600 | Employee stock option certificates worth 1,265 thousand NTD converted into ordinary shares. (Note 9) | None | None |
| 2009/08 | 10 | 500,000 | 5,000,000 | 442,246 | 4,422,464 | Employee stock option certificates worth 2,453 thousand NTD converted into ordinary shares. Recapitalization of 286,411 thousand NTD in earnings and employee bonuses. (Notes 6, 14) | None | None |
| 2009/11 | 10 | 500,000 | 5,000,000 | 442,445 | 4,424,459 | Employee stock option certificates worth 1,995 thousand NTD converted into ordinary shares. (Note 6) | None | None |

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| 2010/05 | 10 | 500,000 | 5,000,000 | 442,745 | 4,427,459 | Employee stock option certificates worth 3,000 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2010/09 | 10 | 500,000 | 5,000,000 | 444,450 | 4,444,509 | Employee stock option certificates worth 17,050 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2010/11 | 10 | 500,000 | 5,000,000 | 445,197 | 4,451,979 | Employee stock option certificates worth 7,470 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2011/01 | 10 | 500,000 | 5,000,000 | 448,437 | 4,484,374 | Employee stock option certificates worth 32,395 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2011/05 | 10 | 500,000 | 5,000,000 | 450,175 | 4,501,759 | Employee stock option certificates worth 17,385,000 NTD converted into ordinary shares. (Note 15) | None | None |
| 2011/09 | 10 | 500,000 | 5,000,000 | 454,782 | 4,547,827 | Employee stock option certificates worth 1,050 thousand NTD converted into ordinary shares. Recapitalization of 45,018 thousand NTD in earnings bonuses. (Notes 15, 16) | None | None |
| 2011/11 | 10 | 500,000 | 5,000,000 | 454,961 | 4,549,612 | Employee stock option certificates worth 1,785 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2012/03 | 10 | 500,000 | 5,000,000 | 454,963 | 4,549,632 | Employee stock option certificates worth 20,000 NTD converted into ordinary shares. (Note 15) | None | None |
| 2012/05 | 10 | 500,000 | 5,000,000 | 456,132 | 4,561,322 | Employee stock option certificates worth 11,690 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2012/09 | 10 | 500,000 | 5,000,000 | 461,055 | 4,610,555 | Employee stock option certificates worth 3,620 thousand NTD converted into ordinary shares. Recapitalization of 45,613 thousand NTD in earnings bonuses. (Notes 15, 17) | None | None |

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| 2012/11 | 10 | 500,000 | 5,000,000 | 461,395 | 4,613,955 | Employee stock option certificates worth 3,400 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2013/01 | 10 | 500,000 | 5,000,000 | 461,901 | 4,619,015 | Employee stock option certificates worth 5,060 thousand NTD converted into ordinary shares. (Note 15) | None | None |
| 2013/09 | 10 | 500,000 | 5,000,000 | 466,520 | 4,665,205 | Cash capital increase of 46,190 thousand NTD (Note 18) | None | None |
| 2014/05 | 10 | 500,000 | 5,000,000 | 469,665 | 4,696,655 | Issued restricted stock awards worth 31,450 thousand NTD (Note 19) | None | None |
| 2014/09 | 10 | 500,000 | 5,000,000 | 476,170 | 4,761,707 | Issued restricted stock awards worth 18,400 thousand NTD. Recapitalization of 46,652 thousand NTD in earnings bonuses. (Notes 19, 20) | None | None |
| 2015/10 | 10 | 500,000 | 5,000,000 | 480,890 | 4,808,902 | Retired 422 thousand NTD in restricted stock awards. Surplus of 47,617 thousand NTD converted into capital increase. (Note 21) | None | None |
| 2016/09 | 10 | 500,000 | 5,000,000 | 485,587 | 4,855,873 | Retired 1,118 thousand NTD in restricted stock awards. Surplus of 48,089 thousand NTD converted into capital increase. (Note 22) | None | None |
| 2017/01 | 10 | 500,000 | 5,000,000 | 485,575 | 4,855,753 | Retired 120 thousand NTD in restricted stock awards. | None | None |
| 2017/04 | 10 | 500,000 | 5,000,000 | 485,566 | 4,855,663 | Retired 90 thousand NTD in restricted stock awards. | None | None |
| 2017/09 | 10 | 500,000 | 5,000,000 | 485,461 | 4,854,613 | Retired 1,050 thousand NTD in restricted stock awards. | None | None |
| 2018/01 | 10 | 500,000 | 5,000,000 | 490,036 | 4,900,361 | Retired 252 thousand NTD in restricted stock awards. Issued restricted stock awards worth 46,000 thousand NTD. (Note 23) | None | None |
| 2018/04 | 10 | 500,000 | 5,000,000 | 489,996 | 4,899,962 | Retired 399 thousand NTD in restricted | None | None |

| Year/Month | Issue price (NTD) | Authorized capital | | Paid-in capital | | Remarks | | |
|---|---|---|---|---|---|---|---|---|
| | | No. of shares | Amount | No. of shares | Amount | Sources of capital | Shares acquired by non-cash assets | Others |
| | | | | | | stock awards. | | |
| 2018/05 | 10 | 500,000 | 5,000,000 | 490,396 | 4,903,962 | Issued restricted stock awards worth 4,000 thousand NTD (Note 23) | None | None |
| 2018/11 | 10 | 500,000 | 5,000,000 | 490,325 | 4,903,252 | Retired 710 thousand NTD in restricted stock awards. | None | None |

Note 1: Approved by Jing (089)-Shang Letter No. 131204 on 2000.08.31.

Note 2: Approved by Jing (090)-Shang Letter No. 09001455410 on 2001.11.20.

Note 3: Approved by Tai-Cai-Zheng-1 Letter No. 0920126559 on 2003.06.17.

Note 4: Approved by Tai-Cai-Zheng-1 Letter No. 0920162055 on 2004.01.06.

Note 5: Approved by Tai-Cai-Zheng-1 Letter No. 0930124608 on 2004.06.03.

Note 6: Approved by Tai-Cai-Zheng-1 Letter No. 0920109253 on 2003.04.14.

Note 7: Approved by Jin-Guan-Zheng-1 Letter No. 0930152452 on 2004.11.19.

Note 8: Approved by Jin-Guan-Zheng-1 Letter No. 09401253210 on 2005.06.24.

Note 9: Approved by Tai-Cai-Zheng-1 Letter No. 092014773 on 2003.10.13.

Note 10: Approved by Jin-Guan-Zheng-1 Letter No. 0940141656 on 2005.09.27.

Note 11: Approved by Jin-Guan-Zheng-1 Letter No. 0950128956 on 2006.07.07.

Note 12: Approved by Jin-Guan-Zheng-1 Letter No. 0960032084 on 2007.06.26.

Note 13: Approved by Jin-Guan-Zheng-1 Letter No. 0970034220 on 2008.07.09.

Note 14: Approved by Jin-Guan-Zheng-Fa Letter No. 0980031088 on 2009.06.23.

Note 15: Approved by Jin-Guan-Zheng-1 Letter No. 0960013747 on 2007.03.29.

Note 16: Approved by Jin-Guan-Zheng-Fa Letter No. 1000032123 on 2011.07.12.

Note 17: Approved by Jin-Guan-Zheng-Fa Letter No. 1010030877 on 2012.07.12.

Note 18: Approved by Jin-Guan-Zheng-Fa Letter No. 1020027478 on 2013.07.15.

Note 19: Approved by Jin-Guan-Zheng-Fa Letter No. 1020041515 on 2013.10.23.

Note 20: Approved by Jin-Guan-Zheng-Fa Letter No. 1030029082 on 2014.07.31.

Note 21: Approved by Jin-Guan-Zheng-Fa Letter No. 1040029339 on 2015.08.03.

Note 22: Approved by Financial Supervisory Commission on 2016.07.26.

Note 23: Approved by Financial Supervisory Commission on 2017.06.20.

April 1, 2019; Unit: Share

| Type of Shares | Authorized capital | | | Remarks |
|---|---|---|---|---|
| | Outstanding shares (Note) | Unissued shares | Total | |
| Ordinary shares | 490,325,176 | 9,674,824 | 500,000,000 | |

Note: 490,325,176 shares were traded over the counter; Authorized capital included 30,000,000 shares reserved for employee stock option certificates.

(II) Information for shelf registration: Not applicable.

(III) Shareholders

April 1, 2019; Unit: Share

| Shareholders / Quantity | Government authorities | Financial institutions | Other legal persons | Individuals | Foreign institutions and foreign persons | Total |
|---|---|---|---|---|---|---|
| Number of people | 2 | 19 | 268 | 47,624 | 209 | 48,122 |
| No. of shares held | 60 | 72,371,938 | 116,080,746 | 148,969,929 | 152,902,503 | 490,325,176 |
| Shareholding ratio | 0.00% | 14.76% | 23.67% | 30.38% | 31.19% | 100.00 % |

(IV) Shareholding Distribution Status

April 1, 2019; 10 NTD per share; Unit: Share

| Shareholding range | | | Number of shareholders | No. of shares held | Shareholding ratio |
|---|---|---|---|---|---|
| 1 | to | 999 | 31,644 | 1,816,730 | 0.37% |
| 1,000 | to | 5,000 | 11,592 | 24,002,482 | 4.90% |
| 5,001 | to | 10,000 | 2,305 | 16,963,241 | 3.46% |
| 10,001 | to | 15,000 | 904 | 10,828,888 | 2.21% |
| 15,001 | to | 20,000 | 425 | 7,745,986 | 1.58% |
| 20,001 | to | 30,000 | 422 | 10,351,524 | 2.11% |
| 30,001 | to | 50,000 | 295 | 11,562,360 | 2.36% |
| 50,001 | to | 100,000 | 214 | 14,933,683 | 3.05% |
| 100,001 | to | 200,000 | 124 | 17,890,727 | 3.65% |
| 200,001 | to | 400,000 | 71 | 19,512,593 | 3.98% |
| 400,001 | to | 600,000 | 31 | 15,687,499 | 3.20% |
| 600,001 | to | 800,000 | 12 | 8,601,802 | 1.75% |
| 800,001 | to | 1,000,000 | 13 | 11,542,061 | 2.35% |
| Over 1,000,001 | | | 70 | 318,885,600 | 65.03% |
| Total | | | 48,122 | 490,325,176 | 100.00 % |

(V) List of major shareholders

Names, shares and percentage of shareholding of top ten shareholders or shareholders with more than 5% of equity:

April 1, 2019; Unit: Share

| Shares / Name of main shareholder | No. of shares held | Shareholding ratio |
|---|---|---|
| Macronix International Co., Ltd. | 35,951,871 | 7.33% |
| Cathay Life Insurance Co., Ltd. | 31,854,000 | 6.50% |
| New Labor Pension Fund | 16,525,500 | 3.37% |
| BVI Valutek Inc. | 15,972,408 | 3.26% |
| Investment account of Norges Bank managed by Citibank Taiwan | 11,171,998 | 2.28% |
| Management Board of Public Service Pension Fund | 9,435,000 | 1.92% |
| Old Labor Pension Fund | 8,573,500 | 1.75% |
| Taiwan Life Insurance | 8,350,000 | 1.70% |
| Investment account of LSV Emerging Markets Equity Limited Partnership managed by Bank of Taiwan | 8,051,673 | 1.64% |
| Vanguard Total International Stock Index Fund of Vanguard Star Funds managed by J.P. Morgan | 7,819,909 | 1.59% |

(VI) Market price per share, net worth, earnings, dividends, and the related information for the last 2 years

Unit: NTD; Thousand shares

| Year / Item | | | 2017 | 2018 | 2019.3.31 |
|---|---|---|---|---|---|
| Stock price (Note 1) | Highest | Before retrospective adjustment | 42.60 | 43.50 | 30.70 |
| | | After retrospective adjustment | — | — | — |
| | Lowest | Before retrospective adjustment | 22.95 | 24.05 | 25.35 |
| | | After retrospective adjustment | — | — | — |
| | Average | Before retrospective adjustment | 32.31 | 35.78 | 28.64 |
| | | After retrospective adjustment | — | — | — |

| | | | | | |
|---|---|---|---|---|---|
| Net worth per share (Note 2) | Before distribution | | 21.48 | 23.21 | Not applicable |
| | After distribution | | 19.83 | (undistributed) | |
| Earnings per share (Note 3) | Weighted average shares | | 467,258 | 467,988 | |
| | Before adjustment | | 2.73 | 3.31 | |
| | After adjustment | | 2.73 | (Note 9) | |
| Dividends per share | Cash dividends | | 1.65 | (Note 9) | |
| | Stock dividend | Earnings | — | — | |
| | | Capital surplus allotment | — | — | |
| | Accumulated unpaid dividend (Note 4) | | — | — | |
| Return analysis | PE ratio (Note 5) | | 12 | 11 | |
| | Price-dividend ratio(Note 6) | | 20 | (Note 9) | |
| | Cash dividend yield(Note 7) | | 5.1% | (Note 9) | |

*Where surplus or capital bond is converted into capital increases, the number of issued shares should be disclosed. Information such as market price and cash dividend should also be retrospectively adjusted.

Note 1: Lists the maximum and minimum market price for ordinary shares in each year. The average market price for each year is also calculated based on the total volume and value of transactions for each year.

Note 2: This should be based on the number of shares issued at the end of the year and the distribution method approved by the shareholders meeting in the following year.

Note 3: If retrospective adjustment is necessary due to stock dividends then the EPS before and after adjustment should be listed.

Note 4: If the conditions for equity securities specify that undistributed dividends can be accumulated until a year with a surplus, please disclose the accumulated undistributed dividends up to the current year.

Note 5: Price-earnings (P/E) ratio = Average market price / Earnings per share.

Note 6: Price-dividend (P/D) ratio = Average market price / Cash dividends per share.

Note 7: Cash dividend yield = Cash dividend per share/ Average market price.

Note 8: Net worth per share and earnings per share should be sourced from the most recent quarter audited (reviewed) by the CPA up to the annual report's date of publication. The remaining fields should list the data for the current year up to the annual report's date of publication.

Note 9: The 2019 general shareholders' meeting has not yet approved the dividend distribution for 2018.

(VII) Dividend policy and implementation status

1. Dividend policy

According to Article 35 of the Ardentec Articles of Association, when there is surplus in the annual final account, in addition to tax payment and supplementation of past loss, 10% of legal reserve should be allocated, and the special reserve can also be allocated in accordance with the law or actual need. For the rest (including the special reserve reversible by law) and any undistributed earnings from the previous year, the Board of Directors shall submit proposals based on business requirements to the general shareholders' meeting for approval.

Ardentec is in a growing industry. The current and future investment environment, funding needs, domestic/overseas competition and budget, shareholder interests and capital adequacy ratio shall be taken into account during the distribution of dividends in accordance with the previous rule. In addition to the above method of distribution, shareholder dividends and bonuses may also be distributed in cash or stock. If there is a surplus in the annual final account, between 10% ~ 80% of distributable earnings for the year may be distributed to shareholders as cash or bonuses. The ratio of cash distributed may not be less than 5% of the total dividends and bonuses for that year.

2. Dividend distribution proposal proposed for the latest shareholders meeting

Unit: NTD

| Item | Amount |
|---|---|
| Undistributed retained earnings at the start of the period | 2,110,615,545 |
| Subtract: Other comprehensive income | (6,191,025) |
| Undistributed earnings after adjustment | 2,104,424,520 |
| Add: After-tax net profit | 1,548,542,155 |
| Subtract: 10% allocated to statutory reserve | (154,854,216) |
| Distributable earnings | 3,498,112,459 |
| Distribution Items:<br>Shareholder－ Cash (dividend of 1.6 NTD per share) | 784,520,282 |
| Undistributed retained earning from previous years | 2,713,592,177 |

Note: The dividend distribution for 2018 was approved by the Ardentec Board of Directors on February 27, 2019, and has not been voted on by the general shareholders' meeting yet.

3. Explanation of major variations anticipated in the dividend policy: No major variations.

(VIII) The effects of the stock dividends proposed by the shareholders' meeting on the Company's business performances and earnings per share: Not applicable.

(IX) Remuneration of employees, directors and supervisors

1. Percentages and ranges of employee remuneration to Directors and Supervisors, as specified in the Company's Articles of Association

   Paragraph 1, Article 35 of the Ardentec Articles of Association specified the following:

   12% of the company's profits for the year should be distributed to employee remuneration while 3% should be allocated as remuneration for Directors and Supervisors. Compensation should be provided if the Company is still has accumulated deficit.

Employee remuneration may be paid as shares or cash. They can also be distributed to employees of affiliated companies that meet the criteria specified in the Company Act.

Profits for the year as mentioned in paragraph 1 refers to the net profits before tax for the current year and before deducting employee remuneration as well as remuneration for directors and supervisors.

Employee remuneration as well as the distribution of remuneration for directors and supervisors require a majority vote by the board of directors with at least two-thirds of all directors in attendance and must be reported to the general shareholders' meeting.

2. Basis for estimating the amount of remuneration of employees, Directors and Supervisors, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period.
   (1) The amount of remuneration allocated to employees, directors and supervisors for this period consists of 276,864,394 NTD for employee remuneration and 69,216,099 NTD for the remuneration of directors and supervisors. The amounts allocated are 12% and 3% of earnings before tax for the year and before deducting remuneration for employees, directors and supervisors in accordance with the percentages set out in the Company Articles of Association.
   (2) The number of shares for employee remuneration distributed in the form of shares is based on closing price one day before the general shareholders' meeting with the effects of ex-rights and ex-dividends taken into account.
   (3) If the actual amount of remuneration distributed to employees and directors varies from the allocated amount this will be treated as changes in accounting estimates. Profit/loss for the year will then be adjusted accordingly.
3. Remuneration proposals passed by the board of directors:
   (1) Employee, director and supervisor remuneration is to be distributed in cash or stocks. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed.

   On February 27, 2019, the Ardentec Board of Directors discussed and approved the distribution of 276,864,394 NTD in cash for employee remuneration and 69,216,099 NTD in cash for directors' remuneration.

   There is no difference between the distributed amount and the accounting amount.

(2) The amount of employee bonus to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee bonus

Not applicable. Employee remuneration was not paid in stocks this year.

4. Actual distribution of employee, Board Directors and Supervisors' remuneration in 2017 (including dividend shares, amount and stock price), discrepancies if any from the amount of employees', directors'/supervisors' remuneration previously recognized, and the causes and treatments for the discrepancies

Unit: NTD

| | Amount approved in the Board of Directors' resolution | Actual amount distributed | Discrepancy | Reason for difference and treatment |
|---|---|---|---|---|
| Remuneration for Directors and Supervisors | 53,722,842 | 53,722,842 | 0 | None |
| Remuneration to employees in cash | 214,891,367 | 214,891,367 | 0 | None |

(X) Application for Buyback of Treasury Stock: None.

II. Corporate bond issuance status: None.

III. Issuance of preferred stocks: None.

IV. Issuance of global depositary receipts (GDR): None.

V. Exercise of employee stock option certificate (ESOP): None.

VI. Restricted stock awards:

(I) Status of restricted stock awards that have not met their redemption conditions and impact on shareholder equity

March 31, 2019

| Types of restricted stock awards | Batch 1 of 2017<br>New restricted stock awards | Batch 2 of 2017<br>New restricted stock awards |
|---|---|---|
| Starting Date: | 2017/06/20 | 2017/06/20 |
| Date of Issue: | 2017/12/28 | 2018/05/07 |
| Issued restricted stock awards | 4,600,000 shares | 400,000 shares |
| Issue price | $0 | $0 |
| Ratio of newly issued restricted stock units to total number of outstanding stock | 0.94 % | 0.08 % |
| Vesting codition for newly issued restricted stock awards | Those who meet both the conditions for years of service and individual performance:<br>(1) If an employee that received new restricted stock award is still with the company after one year and their individual performance is "Good" or higher then they receive 20% of the shares.<br>(2) If an employee that received new restricted stock award is still with the company after two years and their individual performance is "Good" or higher then they receive 20% of the shares.<br>(3) If an employee that received new restricted stock award is still with the company after three year and their individual performance is "Good" or higher then they receive 30% of the shares.<br>(4) If an employee that received new restricted stock award is still with the company after four year and their individual performance is "Good" or higher then they receive 30% of the shares. | |
| Restrictions on newly issued restricted stock awards: | Restrictions before satisfying the vesting conditions:<br>(1) An employee that failed to meet the vesting conditions may not sell, transfer, gift, pledge or dispose of the newly issued stock in any form except through inheritance.<br>(2) Ardentec plans to put employees' restricted stock awards in trust. Attendance, submission of proposals, speeches and | |

| | | |
|---|---|---|
| | voting rights at shareholders' meeting shall therefore be conducted in accordance with the trust custodian contract. | |
| Custody of employees' restricted stock awards: | New restricted stock awards are immediately placed in trust upon issue. The stock is placed in trust by Ardentec or a representative designated by Ardentec until the redemption conditions are met. | |
| Failure by employees to meet the vesting conditions after being issued or purchasing new shares | The stock are recovered by Ardentec at no cost and retired. | |
| New employee stock awards recovered or bought back | 70,460 shares | 0 shares |
| Number of newly issued shares that had their restrictions lifted | 905,540 shares | 0 shares |
| Number of newly issued shares that are still restricted | 3,624,000 shares | 400,000 shares |
| Ratio of newly issued restricted stock units to total number of outstanding stock (%) | 0.74% | 0.08% |
| Effect on Shareholder Equity | Dilution of EPS for the current period is very limited so there should be no serious impact on shareholder equity. | |

Note: A total of 490,325,176 shares have been issued as of April 1, 2019.

(II) The names of company officers and the top ten employees that obtained restricted stock awards, by number of shares obtained

April 1, 2019; Unit: Thousand shares

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title<br>(Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of shares obtained through restricted stock awards</th><th rowspan="2">Ratio of newly issued restricted stock awards to total number of outstanding shares</th><th colspan="4">Restrictions lifted</th><th colspan="4">Still restricted</th></tr>
<tr><th>Number of shares that had their restrictions lifted</th><th>Issue price</th><th>Issue value</th><th>Ratio of shares with restrictions lifted to total number of outstanding shares</th><th>Number of shares that are still restricted</th><th>Issue price</th><th>Issue value</th><th>Ratio of restricted shares to total number of outstanding shares</th></tr>
<tr><td rowspan="15">Managerial Officers</td><td>CEO</td><td>Chih-Yuan Lu</td><td rowspan="15">2,435</td><td rowspan="15">0.50%</td><td rowspan="15">461</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0.09%</td><td rowspan="15">1,974</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">0.41 %</td></tr>
<tr><td>President</td><td>Chi-Ming Chang</td></tr>
<tr><td>Senior Vice President</td><td>Shuh-Jiun Liaw</td></tr>
<tr><td>Vice President</td><td>Yung-Song Lou</td></tr>
<tr><td>Vice President</td><td>C. C. Rou</td></tr>
<tr><td>Vice President</td><td>Jimmy Wang</td></tr>
<tr><td>Vice President</td><td>Raymond Kao</td></tr>
<tr><td>Senior Director</td><td>Ken-Jung Hsu</td></tr>
<tr><td>Senior Director</td><td>Hui-Ling Kuo</td></tr>
<tr><td>Senior Director</td><td>Hui Min Wang</td></tr>
<tr><td>Senior Director</td><td>Michael Huang</td></tr>
<tr><td>Project Senior Director</td><td>Fu-Wan Sheu</td></tr>
<tr><td>Project Senior Director</td><td>Bill Kang</td></tr>
<tr><td>Project Senior Director</td><td>Yanming Gao</td></tr>
<tr><td>Division Director</td><td>Leslie Guh</td></tr>
</table>

<table>
<tr><th rowspan="2"></th><th rowspan="2">Title<br>(Note 1)</th><th rowspan="2">Name</th><th rowspan="2">Number of shares obtained through restricted stock awards</th><th rowspan="2">Ratio of newly issued restricted stock awards to total number of outstanding shares</th><th colspan="4">Restrictions lifted</th><th colspan="4">Still restricted</th></tr>
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<tr><td rowspan="13">Employees</td><td>Division Director</td><td>YC Chen</td><td rowspan="13">964</td><td rowspan="13">0.20%</td><td rowspan="13">173.8</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0.04%</td><td rowspan="13">790.2</td><td rowspan="13">0</td><td rowspan="13">0</td><td rowspan="13">0.16 %</td></tr>
<tr><td>Division Director</td><td>Rhiannon Chen</td></tr>
<tr><td>Division Director</td><td>Stephen Weng</td></tr>
<tr><td>Division Director</td><td>Darwin Yang</td></tr>
<tr><td>Division Director</td><td>Irene Ou</td></tr>
<tr><td>Division Director</td><td>Eric Chen</td></tr>
<tr><td>Division Director</td><td>R. G. Wang</td></tr>
<tr><td>Division Director</td><td>George Chang</td></tr>
<tr><td>Project Director</td><td>Ken Tsai</td></tr>
<tr><td>Project Director</td><td>Chris Chou</td></tr>
<tr><td>Chief Auditor</td><td>Pan-wen Hsieh</td></tr>
<tr><td>Deputy Director</td><td>Arthur Shi</td></tr>
<tr><td>Deputy Director</td><td>Y. U. Wen</td></tr>
</table>

Note 1: The names and positions of individual officers and employees (indicate if they have passed away or separated from the Company) should be provided. Stock issues or purchases can however be presented in summarized form.
Note 2: Top ten employees that obtained new restricted stock awards refer to those other than managerial officers.
Note 3: A total of 490,325,176 shares have been issued as of April 1, 2019.

VII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None.

VIII. Implementation of capital allocation plan

(I) Previously issued or privately offered securities of the Company that have not yet been completed, or those that have been completed but no significant results were achieved within the last three years up to the quarter preceding the publication of the annual report: None.

(II) All previous capital allocation plans for funds raised by Ardentec through the issue of securities have been completed by the quarter preceding the publication of the annual report.

# Chapter 5. Business Overview

I. Business Activities

(I) Business scope

1. Major business activities:

(1) Electronic component manufacturing.

(2) Wholesale of electronic materials.

(3) Retail of electronic materials.

(4) International trade.

(5) Software design services.

(6) Other industry and commerce services (testing of integrated circuits).

(7) All business items that are not prohibited or restricted by law, except those that are subject to special approval.

2. Revenue distribution of main products:

Unit: Thousand NTD

| Main products | 2018 | |
|---|---|---|
| | Revenues | Weight |
| Wafer Sort | 7,073,901 | 83.78 % |
| Final Test | 1,345,351 | 15.93 % |
| Others | 24,552 | 0.29 % |
| Total | 8,443,804 | 100.00 % |

3. Current product/services:

(1) Wafer testing of memory IC.

(2) Wafer and final testing of digital signal IC and mixed-signal IC.

(3) Burn-in testing of wafer types.

(4) Laser repair and trimming services.

(5) Development of testing technologies for SoC and Embedded IC.

(6) Wafer testing for LCD driver IC.

(7) Wafer testing of high-performance analog IC.

(8) Wafer and final testing of radio-frequency (RF) IC.

(9) Development of IC testing technologies and product analysis.

(10) Development of post-bumping technologies.

4. New products (services) planned for development:

(1) IC testing services for CMOS Image Sensor (CIS).

(2) Development of final testing technologies for RF IC.

(3) Testing services for Multi-Chip Package (MCP) modules.

(4) Back-end turnkey service.

(5) Ultra-thin wafer grinding and cutting technology.

(II) Industry overview:

1. Current industry trends and outlook:

World Semiconductor Trade Statistics (WSTS) reported that the global semiconductor market grew by 13.7% between 2017 and 2018 to reach total sales of 468.8 billion USD. The global semiconductor market surpassed the 400 billion USD mark for the first time in 2017. Climbing memory prices as well as growing demand from automotive electronics and industrial semiconductors meant that the market continued to grow strongly in 2018. Analysis showed that growth in 2018 was mainly due to an increase in average memory semiconductor prices. The continued weakness in mobile phone demand meant that logic products grew few by just 5.1%.

Market research firms expect semiconductor growth to hover between 2% ~ -1% in 2019 mainly due to over-supply in the memory market and uncertainty in international economy. From market demand and trends, it's expected that 5G communications, high-speed computing, AI, IoT, and electric vehicles will continue to drive semiconductor demand. However, the US-China trade war has led to international economic uncertainty and conservative demand in the end-user market. All the international industry research firms were therefore quite conservative on the industry outlook for 2019.

2. Relationships with suppliers in the industry's supply chain

The up-, mid- and down-stream parts of the domestic IC industry can be divided into the IC design, IC manufacturing, IC testing and package industries. Each part of the product process is represented by several distinct vendors each with their own specializations working together as shown in the following diagram:

Up-, mid- and down-stream division process and vendors in domestic IC industry

| Structure | Step | Manufacturing process | Vendors |
| --- | --- | --- | --- |
| Up-stream | Design | Logic design, circuit design, graphic design | VIA, MediaTek, Weltrend, SUNPLUS, PHISON, Elan, ALi, REALTEK, ESMT, Etron etc. |
| Mid-stream | Manufacturing | Oxidization, mask standard, etching, impurity diffusion & ion implantation, chemical vapor deposition, metal | TSMC, UMC, Winbond, Macronix, Nanya Technology Corp., Powerchip, VIS etc. |

| | | | | |
|---|---|---|---|---|
| | | sputtering, IC inspection | | |
| Downstream | Testing | Testing (wafer and final product) | SIGURD, TeraPower, Global Testing Corporation, KYEC, Ardentec etc. | ASE, SPIL, ChipMOS, Walton Advanced Engineering, Inc., Powertech, Chipbond etc. |
| | Packaging | Trimming, insertion, soldering, molding, electro-plating | Orient Semiconductor Electronics, Greatek, etc. | |

Taiwan is an IT powerhouse with fully developed up-, mid- and down-stream IC industries. As the IC industry grew in size, up-stream vendors have begun a gradual transfer of their IC testing operations to specialized testing companies after evaluating the return on investment, costs and risks. The current price war on IC products and ever-decreasing product life cycles have served to strengthen links between all parts of the domestic IC industry. The up-, mid- and down-stream parts of the IC industry are therefore closely connected and frequently interact with each other at the technology or the market level.

3. Product development trends

(1) Testing is accounting for an increasing proportion of total IC costs

According to International Technology Roadmap for Semiconductor (ITRS), the biggest challenge and requirements for tester product function are currently (1) High pin-count, (2) High frequency, (3) Timing accuracy, (4) Logic, memory and analog mixed-signal, (5) High parallelism, and (6) Interface with peripheral equipment such as wafer probers and handlers. These requirements represent a major challenge for tester design and application technology resulting in greatly increased costs for testing equipment and product tests.

(2) Improvements in testing integration technology

Embedded IC that integrates logic and memory as well as System-on-Chip (SoC) IC that integrates logic, memory and analog circuits as the government and industry push on 3D IC all point to a rapid increase in the complexity of integrated circuits.

All electronic products from conventional personal computers to mobile and IoT products will all be expected to be light, thin, compact and energy-saving. The appearance of conventional semiconductor packaging will change accordingly as well. IC stacking architecture are being adopted and different types of IC are being integrated together to expand their functionality and performance. The current is therefore towards heterogeneous integration.

Having more chips in one package makes identifying individual defective chips more difficult. Compatibility and inter-connection between each component adds more uncertainty to the reliability of IC products. There are signs that the conventional final test for individual components is being gradually replaced by Wafer Level Test and System Level Test.

(3) Specialization and outsourcing

The purchase of back-end equipment for semiconductor manufacturing requires massive investment. The technologies and production management required for the back-end process are also distinctively different to that of the front-end as well. Large semiconductor companies have therefore started outsourcing their back-end assembly and testing processes to specialist assembly & testing companies in order to reduce product costs and improve economic efficiency; The disruption to the semiconductor supply chain caused by the magnitude 9 earthquake in Japan as well as once-in-a-century flooding in Thailand led to Japanese, American and European companies to reconsider their strategy on outsourcing. The proportion of outsourced testing can therefore be expected to increase every year.

4. State of competition

The vibrant development of front-end semiconductor manufacturing in Taiwan spurred the rapid growth of the back-end assembly and testing industries as well. High equipment costs as well as vertical integration led to the development of distinct groupings. Alliances and mergers became all the rage in the industry after 2002. Specialist IC testing companies in Taiwan include: KYEC, SIGURD, TeraPower and Global Testing Corporation. After taking over its testing subsidiary ASE Test, leading assembly company ASE formed a strategic alliance with TSMC and set up a joint holding company with SPIL in 2018. KYEC and SPIL are in turn part of the UMC testing alliance; UTAC Taiwan was merged into Singapore's UTAC Group and has now shifted from memory testing to turnkey service provider. Assembly & testing company ChipMOS successfully integrated the testing services of WWT and ThaiLin in 2002, then acquired

FICTA and CHANTEK in 2004 and 2005 respectively; Other assembly & testing companies that provide testing services include Orient Semiconductor Electronics and Walton Advanced Engineering; Powertech acquired Greatek in 2012 and made adjustments to the distribution of its testing business. It also acquired the Japanese wafer probe company Tera Probe and its assembly & testing factory in Akita from Micron Memory Taiwan; SIGURD acquired the two listed assembly & testing companies TSI and Winstek in 2016 and 2017 respectively.

The pressure from across the strait is continuing to mount. Backed by government funding, the Chinese industry engaged in a massive round of expansion, acquisitions and mergers between 2014 and 2016. The massive market it offers has proved very attractive to customers and talent as well. There is no doubt that it will become the biggest source of competition given sufficient time.

Ardentec and our subsidiaries focus on providing professional wafer testing services. Relying on our industry-leading engineering capability, quality system and IT technical service, Ardentec has established a long-term cooperative relationship with big domestic and foreign semiconductor manufactures.

(III) Overview of Technology and R&D

1. Investment in R&D in the most recent year and up to the date of report publication

Unit: Thousand NTD

| Item \ Year | 2018 |
|---|---|
| R&D expenditure | 343,627 |
| Net operating revenues | 8,443,804 |
| Proportion of net revenue | 4.07% |

Note: Based on financial information compiled in accordance with IFRS and audited by CPA.

2. Technologies and products successfully developed

| Year | | Technologies and products successfully developed |
|---|---|---|
| 2018 | Ardentec | Automatic recognition system for wafer cassette packaging |
| | | Parallel testing technology for 850V GaN power components |
| | | Mass production testing solution for automotive LED lamp controller |
| | | Measurement of probe mark surface area using microscopic imagery |
| | | Automatic control technology for TSK probe |
| | | Application of RFID to wafer cassettes |
| | Giga Solution | New high power RF module design with diplexer/duplexer to reduce the switch usage for test time optimization |
| | | Development of wafer sort for 75um~100um SiGe singulated wafer with |

| | | |
|---|---|---|
| | | a thickness of 8" |
| | | EMI sputtering shield package RF test with integrated 6S inspection development |
| | | RF HTOL RF IC life cycle simulation testing equipment (1W per channel → 5W per channel) |
| | | 5G mmW (28~40 GHz) small cell front end IC test development |
| | | 5G mmW TRx IC test development |
| | | mmW Beamforming front end IC & phase array IC test development<br>mmW Beamforming front end IC & phase array IC test development |
| | | Multisite (8~16) IoT communications IC test development |
| | | Small size (<3mm x 3mm) mini BGA RF test and BGA inspection development |
| | | Introduction of SLT (System Level Test) for mass production (RF TRx/SoC, DTV, etc.) |
| 2019 | Ardentec | Probe for parallel testing of four GaN MOSFET chips |
| | | NVMe SSD control IC testing technology |
| | | Automatic nitrogen charging for probe tests |
| | Giga Solution | Wafer Level SLT (System Level Test) system development and mass production (WiFi, BT, GPS, FM... etc.) |
| | | RF Modem Wafer Level Testing integrated with HSM server |
| | | Introduction of 40GHz mmW tester |
| | | GaN PA test key wafer level test |
| | | Introduction of DTV V93K/U-Flex mass production testing |

3. Current R&D projects

(1) Application of RFID to testing (Jan 2018 ~ Dec 2020)

Progress: 30 %

Status: 900 MHz RFID has been chosen for this project. RFID was applied to wafer cassettes in phase 1 and RFID readers installed on testers and wafer cassette lockers. The prototype has been successfully tested and has been put into pilot production. Large-scale introduction to the production line is now planned. Phase 2 will apply RFID to test jigs (e.g. probe card, probe adapter, probe cleaning block) and hardware assessment is currently under way.

(2) Wide Band Gap power component testing technology (Jan 2016 ~ Dec 2019)

Progress: 75 %

Status: Silicon is a convenient material to source and work with but it is inadequate for high-power applications. Wide band gap (WBG) components make up for this weakness in silicon fabrication and provides excellent performance in the power supplies of electronic products. Ardentec is developing all-new testing technologies to complement the development of all-new fabrication processes by wafer foundry. Completion was originally slated for the end of 2017 but foundry yield did not achieve the standard required for mass production. The project has therefore been extended and expanded upon. A second type of tester will be introduced to provide a higher parallel testing capacity and more precise measurements. The second tester has finished room and high-temperature validation for its first product already. It will now proceed to low-temperature validation and the result should be known by 2019 Q2.

(3) AI (Artificial Intelligence) IC test development (Jan 2018 ~ Dec 2021)

Progress: 25 %

Status: Phase 1 of this project focuses mainly on the development of storage controller IC testing technology. The project is now half-way through phase 1 and tests are being developed for two specific types of IC. The first type is the SSD HDD controller IC with NVMe interface. The formulation of test specifications, jig design and fabrication, tester software design and customer product validation have all been completed and pilot production will soon begin. The second type is the enterprise-grade storage controller IC. The formulation of test specifications, jig design and fabrication, and tester software design have been completed so far. Customer product validation is now under way.

(4) 5-Year plan for development of smart production technology (Jan 2017 ~ Dec 2021)

Progress: 40 %

Status: Three sub-projects will be conducted as part of the 5-year plan.

I. Prober automation: The automation function for the UF3000 series completed in the previous year is now in mass production with the UFlex/J750 series tester platform. Automation of the OPUS prober has finished development and is undergoing system validation with the T2K tester. Pilot production should begin after system validation is completed this year.

II. RFID application module: This has been successfully integrated into the prober automation process to automatically read the batch number and trigger the prober automation module. The next step is to revise the MES system function and refine the batch probe test automation process. The jig component will be validated this year.

III. For oven process automation, the development and validation of the automation application module for mass production have now been completed. The installation of the application module and start of mass production is now being arranged. We are continuing to collect and make improvements for problems identified during mass production. Development on the next model will commence once the current model is in mass production.

(IV) Long- and Short-Term Business Development Plans

The short, medium and long-term marketing strategies are outlined below:

1. Our core business of wafer sort was used to enter the market. Initial focus was on building an engineering team and developing the necessary information technology and systems for serving customers in the memory wafer sort market. We established a reputation for quality and became the leader in the memory wafer sort market. Once we became a leader in memory wafer sort, in the second half of 2001 we concentrated our efforts on entering logic and mixed-signal wafer sort market as that was another key market. We entered the market for LCD driver IC wafer sort in 2004, entered the analog IC test market in 2006, and entered the RFIC test market in 2009.
2. The medium-term strategy was to establish a close partnership with leading wafer foundries in Taiwan and major international IDMs so that we can serve as their wafer sort hub in the Asia-Pacific. Once a strong partnership was established, another push was made to provide wafer sort services and support for world-class design houses in Taiwan and overseas. The focus at this stage is to provide a complete, virtualized back-end service system based on the integration of information systems as well as investment in or acquisition of assembly & final testing companies that we have strategic partnerships with.
3. The long-term strategy is to concentrate our resources to create a localized advantage. In addition to aggressively expanding our 12" wafer sort production lines, we will also enter neighboring markets, establish our leadership there in an orderly manner and become our customer's preferred choice for wafer sort. We will also work closely with our partners to enter new fields or form new strategic partnerships.

II. Market, Production and Sales

(I) Market analysis

1. Areas in which core products (services) are sold (provided)

Unit: Thousand NTD

| Sales region \ Year | 2016 | 2017 | 2018 |
|---|---|---|---|
| USA | 2,659,984 | 3,316,014 | 3,438,561 |
| Taiwan | 1,420,208 | 1,461,895 | 1,546,359 |
| Singapore | 617,074 | 767,241 | 650,689 |
| Mainland China | 204,046 | 237,659 | 182,150 |
| Other | 1,359,110 | 2,077,206 | 2,626,045 |
| Total | 6,260,422 | 7,860,015 | 8,443,804 |

2. Market Share

ITRI IEK and TSIA statistics indicate that the Taiwan testing market had a production output of 147.5 billion NTD in 2018. Ardentec revenues in 2018 amounted to 8.44 billion NTD, up 7.4% from 2017. Market share continued to grow and is now 5.7% (5.5% in 2017). Ardentec can probably be ranked among the top 3 in Taiwan in our specialty of wafer testing.

3. Future Market Supply-and-Demand and Growth

The global market for outsourced assembly & testing services is expected to continue growing as Western IDMs and Fabless companies continue to outsource more of these services. Japanese IDMs are actively outsourcing these requirements due to cost and risk diversification so this should generate another round of growth.

Production at 12" wafer foundries will grow at a rapid pace and evolve towards even smaller advanced production processes. As Taiwanese assembly & testing companies have adopted a strategy of offering advanced assembly & testing services with high added value such as WLCSP assembly & testing, and SoC testing, demand from related assembly & testing requirements will only continue to grow.

Despite the current slowdown in the mobile phone market, other fields such as automotive electronics, 5G communications, AI and IoT products that everyone has been monitoring closely are now set to take off and this will no doubt generate new growth in the industry too.

4. Competitive niches

The key competitive advantages of Ardentec have always been our outstanding engineering, R&D and software design abilities as well as excellent IT system capability. Our own technical expertise along with the support of equipment vendors enable Ardentec and subsidiaries to provide customers with high-quality testing services at more competitive prices within a shorter period of time.

The main difference between Ardentec and our domestic peers is our internationalized services and global portfolio. Factories were built in Singapore and Korea in 2006 and 2010 respectively. The Nanjing factory also entered production in 2018. Our implementation of a "global localized service"strategy will hopefully overcome geographical constraints and provide us with better access to strategic customers.

5. Favorable and Adverse factors for Long-term Growth and Response Strategy

(1) Favorable factors:

a. The continued expansion of advanced processes by domestic upstream foundries along with further outsourcing of production to Taiwanese contract manufacturers by major international IDMs are all boosting demand for assembly & testing.

b. Intense competition in upstream IC design and manufacturing means that testing previously handled in-house are being gradually outsourced to specialized testing companies due to cost and business considerations.

c. The technical teams at Ardentec and our subsidiaries come from IDMs in the U.S. or Taiwan. We therefore enjoy an advantage over our peers when it comes to testing engineering ability and effective communication with overseas customers.

d. Ardentec and our subsidiaries have established specialized testing factories at Hsinchu in Taiwan, Singapore, Korea and Nanjing in China. We are therefore well positioned to serve upstream/downstream and foundry cluster customers from the Hsinchu Science Park in Taiwan, as well as international customers in Singapore, Korea and China.

(2) Unfavorable factors:

a. Fundamental changes to the assembly & testing industry chain due to horizontal integration within the domestic industry and the trend of international mergers.

b. 3D IC reference designs and constant innovations in manufacturing are driving changes in the industry chain. Independent testing services will have difficulties finding business without allies in the supply chain.

c. Increasing competition on price from peers and domestically built low-end machines.

d. Chinese companies are using their tremendous financial backing to engage in the aggressive acquisition and integration of the semiconductor industry chain. The face of the testing industry is changing rapidly and this will soon impact on the current balance of power.

(3) Response strategies:

a. Advanced testing equipment will be introduced and Ardentec's outstanding R&D capability applied to improve equipment utilization, increase added value and form strategic alliances with the upstream IC manufacturing industry. Ardentec has obtained certification from IC OEMs and commenced mass production. In the future, Ardentec will work to secure certification from well-known local and overseas foundries to ensure our competitive advantage.

b. Work closely with IC design houses. Help customer develop IC testing programs during the IC design phase to put obstacles to entry by our peers before IC enters mass production in the future.

c. Work actively to expand our 12" wafer sort equipment in response to customer requirements.

d. Look for opportunities to acquire or form strategic alliances with other key companies in the industry chain.

e. Expand the scope and depth of our cooperation with key customers. In addition to building a Singapore site in 2006 and Korea site in 2010, new testing production lines were also added at Nanjing in 2018. Our goal is to provide customers with localized services in order to secure more contracts from major international players and establish ourselves near key wafer production regions.

(II) Application and production of key products

1. Key applications of major products

a. Ardentec

Main business is IC testing which is an essential specialization in the downstream part of the semiconductor manufacturing process. The wafer sort and final test services provided by Ardentec allow our customers' products to be used in the computer, communications, consumer electronics, general industrial products, automotive electronics and information security products.

| | |
|---|---|
| Wafer probe | Wafer probe conduct probe testing of IC functionality before packaging in order to eliminate defective products and reduce unnecessary assembly/final testing costs. |
| Final test service | Final test is used to verify the function, speed, tolerance, power consumption, power emission and thermal dissipation attributes of IC products after packaging to make sure they are all normal. |

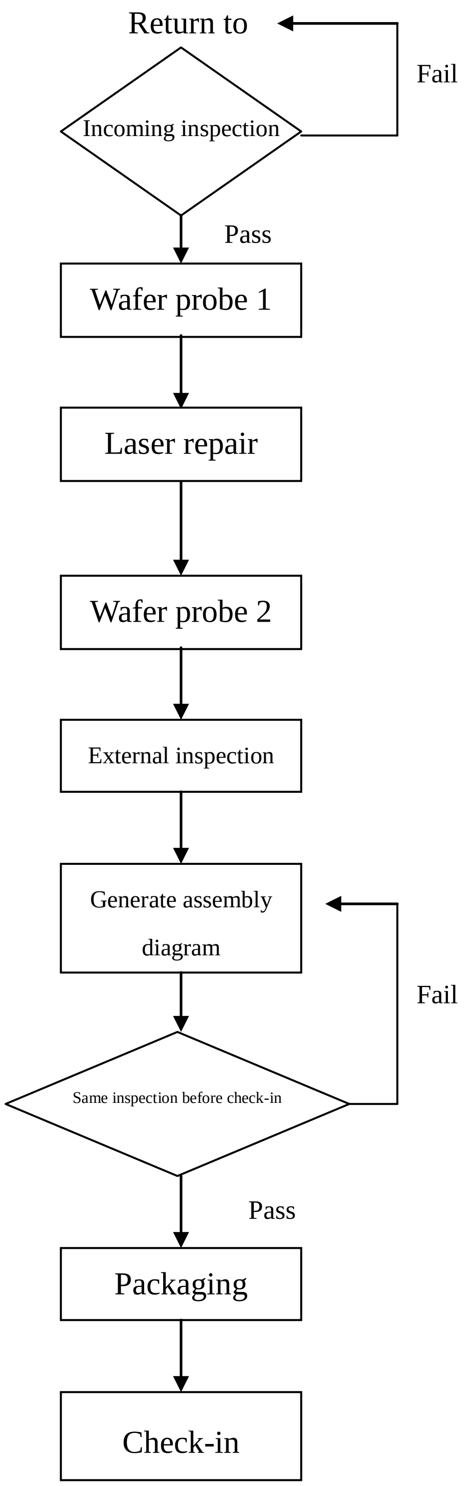
b. Giga Solution

Test IC is mainly used in smart phones and related communication products. These include RF power amplifier, RF switch, RF front module, WLAN IC, Bluetooth IC, Long Term Evolution (LTE) chipset, High Speed Digital IC, Base Band IC, and Power Management IC. New additions in recent years included IoT communications IC, Data Center optical communications IC (200 Gbps using TIA/LD), LTE Base Station high-power amplifier, GaN high-power RF switch. Development has also started on 5G mmW FEM/Phase Array IC and sub-6GHz TRx IC.

2. Production processes of key products

a. Ardentec

Wafer probing




Process

- Accept delivery
- Check quantity and documentation
- External inspection of incoming materials

- 100% (room/high-temperature) probe and self-inspection of pins and points during the production process

- Repair chips that are repairable
- Check to see if laser repair is successful

- Visual inspection

- Produce assembly map disk

- Check documentation
- Confirm test parameter flow and disk

- Verify disk
- Confirm quantity
- Print label

- Product check-in

b. Giga Solution

(1) Final Test: Development of test program and test board → Component Test Correlation → Engineering Pilot Run → Production Test → Tape & Reel → Shipping.

(2) Wafer Sort: Development of test program and probe card → Wafer Test Correlation → Engineering Pilot Run → Production Test → Shipping.

(III) Supply status of primary raw materials

Ardentec and our subsidiaries are in the technical services sector (specialized testing company) of the IC industry so there are no primary raw materials.

(IV) Names of customers who accounted for more than 10% of the sales in the last two years, their sales as a percentage of total sales, and explain any changes

1. Major suppliers in the last two years: Ardentec and our subsidiaries are in the IC testing services industry so we have no suppliers.

2. Major customers in the last two years

Unit: Thousand NTD

| Year | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| Item | Name | Amount | Percentage of net sales % | Relationship with issuer | Name | Amount | Percentage of net sales % | Relationship with issuer |
| 1 | Company A | 1,330,925 | 17% | None | Company A | 1,330,743 | 16% | None |
| 2 | Company I | 1,288,763 | 16% | None | Company I | 1,171,921 | 14% | None |
| 3 | Company G | 854,699 | 11% | None | Company G | 1,137,420 | 13% | None |
| 4 | Others | 4,385,628 | 56% | | Others | 4,803,720 | 57% | |
| | Net sales | 7,860,015 | 100% | | Net sales | 8,443,804 | 100% | |

Explanation of changes:

**Company A:** Ardentec has been dealing with Company A, an internationally renowned semiconductor company, since 2000 on wafer testing for advanced processes. We have secured recognition for our quality after working together for a long time and were presented with their global Supplier Excellence Award on several occasions. Our test quality and services has won strong approval from the customer so we are now their primary wafer testing center in the Asia-Pacific region. The company ships its wafers from various sites to Ardentec for testing before arranging for their delivery to their other factories or contract manufacturers around the world. Company A was our top customer in both 2017 and 2018.

**Company I:** Design and manufactures embedded semiconductor for wireless, network, automotive, consumer and industrial markets.

**Company G:** The largest semiconductor supplier in Europe. Company G was one of our top three customers in both 2017 and 2018.

(V) Output volume and value for the last two years

Unit: Thousand NTD, 1000 units/1000 pcs

| Year / Production output / Main Product | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Production capacity | Output volume | Output value | Production capacity | Output volume | Output value |
| Wafer Sort | Note | 3,184 | 4,376,125 | Note | 3,062 | 4,538,847 |
| Final Test | Note | 1,374,371 | 1,026,249 | Note | 1,242,825 | 1,018,805 |
| Total | | — | 5,402,374 | | — | 5,602,652 |

Note: Production capacity in the testing industry is calculated in terms of time rather than quantity. Disclosure is therefore based mainly on production equipment.

We owned 1,097 and 1,186 testers on December 31, 2017, and on December 31, 2018 respectively.

(VI) Sales volume and value for the last 2 years

Unit: Thousand NTD, 1000 units/1000 pcs

| Year / Sales / Main Product | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Domestic sales | | Exports | | Domestic sales | | Exports | |
| | Volume | Value | Volume | Value | Volume | Value | Volume | Value |
| Wafer Sort | 504 | 765,233 | 2,680 | 5,740,902 | 455 | 847,928 | 2,607 | 6,225,973 |
| Final Test | 658,048 | 655,502 | 716,323 | 625,952 | 577,879 | 686,271 | 664,946 | 659,080 |
| Others | — | 41,160 | — | 31,266 | — | 12,160 | — | 12,392 |
| Total | — | 1,461,895 | — | 6,398,120 | — | 1,546,359 | — | 6,897,445 |

III. Information of employees in last two years (including number, average number of years with the company, average age, and distribution of level of education)

| Year | | 2017 | 2018 | 2019 As of February 28 |
|---|---|---|---|---|
| Number of employees | Number of managers | 212 persons | 251 persons | 253 persons |
| | Technical personnel | 893 persons | 960 persons | 941 persons |
| | Admin personnel | 187 persons | 178 persons | 180 persons |
| | Direct labor | 916 persons | 918 persons | 901 persons |
| | Total | 2,208 persons | 2,307 persons | 2,275 persons |
| Average age (year) | | 35.3 years | 35.6 years | 35.9 years |
| Average years of service | | 5.4 years | 5.7 years | 5.9 years |
| Academic qualification (%) | Ph.D. | 0.41 % | 0.35% | 0.35% |
| | MA | 12.32 % | 12.35% | 12.00% |
| | University/College | 66.80 % | 67.79% | 67.60% |
| | Senior High School | 17.75 % | 17.04% | 17.41% |
| | Below Senior High School | 2.72 % | 2.47% | 2.64% |

IV. Environmental protection expenditure information

(I) Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date, and future response strategies:

1. There were no losses or fines levied against Ardentec due to environmental pollution during the most recent year and up to the annual report publication date.

2. Future response strategies：Ardentec has complied with environmental protection regulations by establishing an integrated management system staffed by dedicated environmental personnel for developing, implementing and maintaining the environmental management scheme and action plans. Operational processes are reviewed for waste reduction/recycling to ensure that waste is properly sorted. Waste that can't be turned into resources are disposed of through qualified waste contractors using the best available technology in accordance with the law. Follow-ups are conducted by Ardentec at different times to ensure that the waste is properly disposed of. Hazardous industrial waste is not transported abroad for processing to prevent the risk of environmental pollution.

   Ardentec actively encourages upstream and downstream vendors to reduce waste by enhancing the recycling and reuse rates of their packaging materials. Except for certain customer products not suitable for the reuse of packaging materials, Ardentec cooperates with customers to re-use packaging materials of shipments to Ardentec or Ardentec's future shipments back to the customers. Special wafer pods for example are professionally cleaned and re-used for shipments, the reuse rate of 8" wafer cassette boxes has reached 91%; 12" wafer cassette boxes have achieved a second time reuse rate of 118%. The reuse rate of shipping cartons has reached 78% as well; In 2018, 17 tons of aluminum foil shipping bags from customers were recycled by professional vendors.

(II) Disclosures required by the EU RoHS Directive

Ardentec provides testing and technical services to the IC industry (specialist testing plant) so we do not consume materials or produce our products. The RoHS Directive is therefore not applicable to our company. All packaging materials comply with RoHS regulations.

A Non-Hazardous Substance Policy has been formulated by Ardentec with regular internal audits and a management review of the "Non-Hazardous Substance Goal" every six months. The four factories under the Taiwan headquarters have implemented and passed certification on the IECQ QC 080000 hazardous substance process management system. All of their operational activities therefore conform to international regulations such as EU Restriction of Hazardous Substances Directive (RoHS) and Registration, Evaluation, Authorization and Restriction of Chemicals (REACH). The four factories have also devised management procedures for hazardous substances to ensure that Ardentec's services adhere to international laws and regulations, and comply with customers' requirement for green products and management of hazardous substances.

V. Employer-employee relations

(I) Ardentec's employee benefit measures, continuing education, training, retirement system, and actual state of implementation, as well as employer-employee agreements, measures for protecting employee rights and interests, employee work environment and protective measures for personal safety.

1. Welfare

(1) Established cafeteria to serve hygienic lunch and supper. Company meal subsidy: 60% of lunch and dinner; 100% of night points.

(2) Financial gifts are given for weddings, funerals, celebrations and childbirth. Gift coupons are given for New Year holidays.

(3) Organizing of health promoting activities such as health management consultations and seminars, regular health exams, promotion of weight-control competitions, and screening for different kinds of cancer.

(4) Comfortable employee dormitory.

(5) The employee recreation center offers employees with health promoting classes on belly dancing, aerobics, and office stretching exercises after work.

(6) Employees are encouraged to form into clubs such as: Softball, mountain climbing, badminton, yoga, snooker, cycling, basketball, table tennis, belly dancing, photography, volunteering, water activities, and triathlon.

(7) Employees and clubs actively take part in events and competitions organized by Hsinchu County/City and the Science Park. The badminton and triathlon clubs have been quite successful at competitions every year. Employees and their friends/relatives take part in the "1919 Love Goes Around" cycling event to raise donations for "families in distress."

(8) Company holidays and low-carbon cycling tours are organized for employees and their families every year to help them relax, encourage employee families to socialize with each other, improve their fitness, and build a closer rapport between everyone.

2. Education and training

(1) Five training systems have been set up based on the needs of company goals and employee development. In addition to cultivating employees' professional skill set and know-how, human rights related courses are also incorporated into in-service and orientation training. Seminars are also held on an ad hoc basis to provide more breadth and depth for education and training, enhance team support skills, instill the proper values, and realize the goal of sustainable human resources.

a. Orientation training: New employees are provided with guidance on basic concepts and training upon arrival including introduction to the company, management rules, ethical standards, company policies, employee rights, quality, information security, safety and health.

b. Development and management training: Includes employee knowledge, attitude, team work, management techniques and management activities.

c. On-the-job training: Training related to the skills or expertise needed by an employee for their role.

   For example: Training on equipment engineering or information technology.

d. Compulsory training: Training employees on skills and knowledge that are needed for certain roles.

e. Compliance training: Training on compliance with business-related regulations, company policies, or domestically/internationally accepted principles/guidelines that help improve the working environment and sustainability for employees and the company.

A total of 85,127 training hours were completed in 2018. On average, every male employee had 36 hours of training. Every female employ had 38 hours of training. 100% of employees received training.

(2) To support the career development of our employees, our annual performance evaluations are closely tied to employees' training plans. Managers and subordinates are invited to discuss their individual performance, goals, and training needed to accomplish such goals.

(3) Internal instructors for teaching employees about work-related knowledge and skills are encouraged by Ardentec to maintain our legacy and for knowledge management.

(4) Professional development measures include:

a. Training at overseas institutions.

b. Working at overseas subsidiary companies to gain multinational experience and cultivate international talent through hands-on practice.

c. Quarterly managers' forums where managers may develop leadership skills by discussing trends of the industry, regulatory developments, upcoming international standards, business planning, and share practical experiences.

(5) Ardentec has since 2012 provided undergraduates with a chance to work the industry so that they can apply what they learned and make seamless transitions into their careers. In 2018, internships were offered to 25 students in 9 departments from 5 universities including Feng Chia University, Yuan Ze University, Fu Jen Catholic University, and Kinmen University and Minghsin University. A total of 141 students from 9 universities have been offered internships or spots in the industry-academia cooperation program at Ardentec to date. Ardentec even sponsored one student on an exchange program to Germany. Many interns are invited to join Ardentec straight after graduation to continue building up the depth and width of their professional value. To provide students with an introduction to the actual semiconductor production line and working conditions, 101 students and teachers from the Department of Information Management at Minghsin University and the Applied Technology Class from Yimin Junior High School were given a tour of the production line in 2018.

3. Pension Scheme

Ardentec has defined the "Labor Pension Regulations" in accordance with the "labor Standards Act"and "Labor Pension Act." A "Supervisory Committees of Labor Retirement Reserve" has also been set up. Depending on whether an employee chose to use the new or old system, Ardentec deposits its monthly salary contributions to a dedicated pension account at the Bank of Taiwan or an employee's personal account at the Labor Insurance Bureau. The Supervisory Committee of Labor Retirement Reserve is convened every quarter to review pension contributions and discuss retirement matters.

The Singaporean subsidiary complies with local regulations by contributing to the government-managed Central Provident Fund (CPF), whereas the Korean subsidiary follows the "Pension Protection Act" and makes contributions to a "Defined Contribution Retirement Pension (DC) plan that the employer and the employees have agreed upon. The Nanjing subsidiary makes contributions to pension insurance in accordance with the pension insurance regulations of China.

4. Labor-management negotiation and communication channels

   (1) Ardentec has a number of labor-management communication committees in place for the discussion and communication of different issues including labor safety liaison meetings, Occupational Safety and Health Committee, and Staff Welfare Committee. Representatives at these committees come from both the management and employees. The opinions and rights of all employees are protected through the functional committees outlined above.

   (2) A set of "Employee Communication and Protection Guidelines" that offers a diverse range of communication channels from labor-management meetings to online and physical opinion/grievance boxes have been implemented to encourage employees to raise suggestions or problems concerning their work and the environment to the decision makers.

   (3) Physical suggestion boxes have been installed for employees to express their opinions directly or anonymously. Queries received through the suggestion box are answered or looked into by the relevant functional units. Corrective actions are tracked until completion. Anonymous suggestions that do not involve other parties are handled by the relevant unit. If no other parties are involved, the original opinion, the action taken and the outcomes are then published in Chinese and English for the reference of the whole company. During the course of 2018, employees at Ardentec headquarters and subsidiaries made a total of 89 complaints or suggestions. 28 were signed and 61 were anonymous. Most of the suggestions received in 2018 related to improvements in general administration. There were no issues raised over human rights or working conditions.

5. Employee rights

Ardentec and subsidiaries adhere strictly to local laws on working conditions and labor rights. The "CSR Code of Conduct" and "Human Rights Protection Guidelines"were also formulated in accordance with the Responsible Business Alliance (RBA) Code of Conduct to ensure that employee rights are properly protected. There is no employment of child labor under the age of 16, no use of coercion, and all work as well as overtime are performed out of employees' own free will to ensure that employee working hours and overtime comply with the law. There is no discrimination against employees in their treatment and benefits on the basis of age, gender or marital status. We respect employees' freedom of association and right to collective bargaining.

6. Employee Working Environment and Personal Safety

   (1) The Occupational Safety and Health Office at Ardentec is a tier-1 unit that reports directly to the General Manager. The Office employs a full complement of OHS-qualified health managers, specialists and other staff with safety & health-related certificates to handle all OHS-related matters. A safety and health manual has been compiled to provide employees with a guide on safety and health operations.

   (2) Ardentec and subsidiaries have all established OHS management committees to review planning on workplace safety and health, their execution, as well as to coordinate and make recommendations to OSH-related organizations. All representatives are entitled to express their opinions on safety and health during meetings. The committees provide a transparent communication platform for direct participation by workers. Conclusions of every committee meeting are documented and recorded as a reference for subsequent supervision and future occupational safety and health planning.

   (3) Each site is provided with a sufficient number of first-aid personnel as required by law.

   (4) The work environment is tested every six months.

   (5) Comprehensive firefighting systems have been installed in accordance with firefighting regulations.

   (6) Firefighting training and evacuation drills are conducted every six months.

   (7) Ardentec and its operating sites follow the regulations on occupational safety and health and the regulations of domestic and foreign management systems to promote various safety and health measures. Ardentec headquarters and its Nanjing subsidiary obtained ISO 45001:2018 occupational safety and health management system certification in 2018. The Singapore and Korea subsidiaries both passed OHSAS 18001 Occupational Safety and Health Management System verification. Health and safety risk assessments are performed for each project to identify possible risks, with audits to timely control risks and achieve continuous improvement goals.

(8) Factories are provided with clinics that regularly staffed by nursing personnel and occupational disease specialists. Service include treatment and prevention of occupational/general injuries/diseases, health consultation and first-aid.

On-site doctors and nursing personnel visit each factory to help treat/prevent general/occupational diseases/injuries, provide health advice and undertake first-aid. Stationed doctors provide consultations for employees identified as in the high-risk group. They are then monitored and provided with support by nursing personnel to reduce the risk of serious illness in employees.

(9) Regularly perform employee safety and health training sessions. Employees are required to complete relevant safety and health training according to the nature of their job before they can commence with their work; Employees working with chemicals must complete general hazard education and training and perform their work only after fully understanding the chemical properties and hazards, the use of protective equipment, exposure prevention measures, and emergency response measures.

(II) Estimation of current and potential future losses suffered by the due to labor disputes in the last years and up to the publication of this report, and the measures taken in response: None.

## VI. Important contracts

(I) Ardentec

| Nature of Contract | The Party | Commencement date/ expiration date | | Content | Restriction clauses |
|---|---|---|---|---|---|
| | | Start Date | End Date | | |
| Testing Contract | Macronix International Co., Ltd. | 2005/11/01 | 2015/10/31 (Separate automatic renewal clause) | Testing Contract for IC and Finished Products | Maintaining the confidentiality of third-party business |
| Lease | RiTdisplay Corporation | 2016/09/01 | 2024/08/31 | Factory Lease | None |
| Long-term loan contract (2016) | Bank of Taiwan, Taipei Fubon Bank, Chang Hwa Commercial Bank, Taishin International Bank, Taiwan Cooperative Bank, First Commercial Bank, KGI Bank and Citibank Taiwan | 2017/03/15 | 2022/03/15 | Syndicated credit contract | None |

| Nature of Contract | The Party | Commencement date/ expiration date | | Content | Restriction clauses |
|---|---|---|---|---|---|
| | | Start Date | End Date | | |
| Long-term loan contract (2018) | Bank of Taiwan, Mega International Commercial Bank, Hua Nan Commercial Bank, Cathay United Bank, Taipei Fubon Bank, E. Sun Bank, and CTBC Bank | 2018/09/10 | 2023/09/10 | Syndicated credit contract | None |
| Mid-to-long-term loan contract | Mega International Commercial Bank | 2014/12/05 | 2020/08/06 | Secured Loan | None |
| Mid-to-long-term loan contract | KGI Bank | 2014/12/25 | 2020/01/15 | Secured Loan | None |

(II) Giga Solution

| Nature of Contract | The Party | Commencement date/ expiration date | | Content | Restriction clauses |
|---|---|---|---|---|---|
| | | Start Date | End Date | | |
| Lease | Chingis Technology Corporation | 2018/09/01 | 2023/08/31 | Factory Lease | None |
| Lease | Chingis Technology Corporation | 2019/01/01 | 2023/08/31 | Factory Lease | None |
| Lease | Chingis Technology Corporation | 2019/03/01 | 2023/08/31 | Factory Lease | None |
| Lease | Etron Technology Inc. | 2017/04/01 | 2022/03/31 | Factory Lease | None |
| Lease | Domex Technology Corporation | 2018/01/01 | 2020/12/31 | Factory Lease | None |

# Chapter 6 Financial Overview

I. Condensed balance sheets, statements of income, and audit opinions in the most recent 5 years

(I) Condensed balance sheet and statements of income

1. Combined condensed balance sheet - Based on International Financial Reporting Standards (IFRS) (consolidated)

Unit: Thousand NTD

| Item \ Year | | Financial information for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| Current assets | | 4,070,383 | 3,975,406 | 5,411,711 | 5,876,722 | 5,484,901 |
| Property, plant and equipment | | 9,422,848 | 9,050,444 | 8,887,789 | 9,138,047 | 10,853,806 |
| Investments recognized under the equity method | | — | — | 340,170 | 294,303 | 231,349 |
| Intangible assets | | 40,040 | 27,656 | 652,293 | 618,079 | 629,693 |
| Other assets | | 314,293 | 312,910 | 346,330 | 349,301 | 463,671 |
| Total assets | | 13,847,564 | 13,366,416 | 15,638,293 | 16,276,452 | 17,663,420 |
| Current liabilities | Before distribution | 1,687,050 | 1,796,347 | 2,526,534 | 2,916,521 | 3,828,372 |
| | After distribution | 2,448,923 | 2,421,504 | 3,133,503 | 3,698,223 | (Undistributed) |
| Non-current liabilities | | 2,886,134 | 2,061,359 | 2,580,400 | 3,182,192 | 2,832,348 |
| Total liabilities | Before distribution | 4,573,184 | 3,857,706 | 5,106,934 | 6,098,713 | 6,660,720 |
| | After distribution | 5,335,057 | 4,482,863 | 5,713,903 | 6,880,415 | (Undistributed) |
| Equity attributable to owners of parent | | 9,274,380 | 9,508,710 | 9,750,974 | 10,177,739 | 11,002,700 |
| Capital Stock | | 4,761,707 | 4,808,902 | 4,855,753 | 4,900,361 | 4,903,252 |
| Capital surplus | | 1,063,121 | 1,087,925 | 1,106,838 | 1,250,932 | 1,284,154 |
| Retained earnings | Before distribution | 3,503,544 | 3,675,845 | 3,882,897 | 4,265,965 | 4,999,822 |
| | After distribution | 2,741,671 | 3,050,688 | 3,275,928 | 3,484,263 | (Undistributed) |
| Other interests | | 72,780 | 62,810 | 32,258 | (112,747) | (57,756) |
| Treasury stock | | (126,772) | (126,772) | (126,772) | (126,772) | (126,772) |
| Non-controlling interests | | — | — | 780,385 | — | — |
| Total equity | Before distribution | 9,274,380 | 9,508,710 | 10,531,359 | 10,177,739 | 11,002,700 |
| | After distribution | 8,512,507 | 8,883,553 | 9,924,390 | 9,396,037 | (Undistributed) |

Note: All financial reports between 2014 and 2018 were CPA-certified.

2. Combined statement of income - Based on International Financial Reporting Standards (IFRS) (consolidated)

Unit: Thousand NTD

| Item \ Year | Financial information for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Operating revenues | 5,833,999 | 5,924,502 | 6,260,422 | 7,860,015 | 8,443,804 |
| Gross profit | 1,830,724 | 1,696,661 | 1,680,304 | 2,457,641 | 2,841,152 |
| Operating income/loss | 1,266,426 | 1,147,038 | 1,066,586 | 1,618,318 | 1,837,931 |
| Non-operating income and expenses | 170,684 | 41,517 | 1,830 | (80,894) | 143,303 |
| Net income before tax | 1,437,110 | 1,188,555 | 1,068,416 | 1,537,424 | 1,981,234 |
| Net income from continuing operations | 1,206,730 | 986,948 | 908,113 | 1,267,571 | 1,548,542 |
| Loss from discontinued operations | — | — | — | — | — |
| Net profit (loss) for current term | 1,206,730 | 986,948 | 908,113 | 1,267,571 | 1,548,542 |
| Other comprehensive income (loss) during the term (Net amout after tax) | 37,588 | (61,538) | (72,058) | (1,161) | (26,084) |
| Total comprehensive income for the term | 1,244,318 | 925,410 | 836,055 | 1,266,410 | 1,522,458 |
| Net income attributable to owners of the parent | 1,206,730 | 986,948 | 893,172 | 1,276,988 | 1,548,542 |
| Net Income (Loss) Attributable to Non-controlling Interests | — | — | 14,941 | (9,417) | — |
| Total Comprehensive income attributable Owners of the Parent | 1,244,318 | 925,410 | 821,345 | 1,275,827 | 1,522,458 |
| Total Comprehensive income attributable to Non-controlling Interests | — | — | 14,620 | (9,417) | — |
| Earnings per share | 2.65 | 2.14 | 1.92 | 2.73 | 3.31 |

Note: All financial reports from 2014 to 2018 were CPA-certified.

3. Combined condensed balance sheet - Based on International Financial Reporting Standards (IFRS) (individual)

Unit: Thousand NTD

| Item \ Year | | Financial information for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| Current assets | | 3,383,822 | 3,205,638 | 3,338,374 | 3,261,306 | 3,220,551 |
| Property, plant and equipment | | 8,033,279 | 7,937,232 | 6,989,794 | 6,700,816 | 7,456,535 |
| Investments recognized under the equity method | | 2,011,550 | 1,923,365 | 4,105,512 | 5,722,219 | 6,212,568 |
| Intangible assets | | 33,774 | 24,055 | 15,098 | 12,962 | 25,691 |
| Other assets | | 160,900 | 155,562 | 124,570 | 129,926 | 159,066 |
| Total assets | | 13,623,325 | 13,245,852 | 14,573,348 | 15,827,229 | 17,074,411 |
| Current liabilities | Before distribution | 1,535,421 | 1,695,752 | 2,299,767 | 2,520,572 | 3,353,606 |
| | After distribution | 2,297,294 | 2,320,909 | 2,906,736 | 3,329,066 | (Undistributed) |
| Non-current liabilities | | 2,813,524 | 2,041,390 | 2,522,607 | 3,128,918 | 2,718,105 |
| Total liabilities | Before distribution | 4,348,945 | 3,737,142 | 4,822,374 | 5,649,490 | 6,071,711 |
| | After distribution | 5,110,818 | 4,362,299 | 5,429,343 | 6,457,984 | (Undistributed) |
| Capital Stock | | 4,761,707 | 4,808,902 | 4,855,753 | 4,900,361 | 4,903,252 |
| Capital surplus | | 1,063,121 | 1,087,925 | 1,106,838 | 1,250,932 | 1,284,154 |
| Retained earnings | Before distribution | 3,503,544 | 3,675,845 | 3,882,897 | 4,265,965 | 4,999,822 |
| | After distribution | 2,741,671 | 3,050,688 | 3,275,928 | 3,457,471 | (Undistributed) |
| Other interests | | 72,780 | 62,810 | 32,258 | (112,747) | (57,756) |
| Treasury stock | | (126,772) | (126,772) | (126,772) | (126,772) | (126,772) |
| Total equity | Before distribution | 9,274,380 | 9,508,710 | 9,750,974 | 10,177,739 | 11,002,700 |
| | After distribution | 8,512,507 | 8,883,553 | 9,144,005 | 9,396,245 | (Undistributed) |

Note: All financial reports from 2014 to 2018 were CPA-certified.

4. Combined statement of income - Based on International Financial Reporting Standards (IFRS) (individual)

Unit: Thousand NTD

| Item \ Year | Financial information for the most recent 5 years (Note) | | | | |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 |
| Operating revenues | 5,145,736 | 5,274,014 | 5,097,655 | 5,895,108 | 6,473,474 |
| Gross profit | 1,808,087 | 1,666,818 | 1,490,542 | 2,090,976 | 2,457,435 |
| Operating income/loss | 1,356,538 | 1,229,613 | 1,058,446 | 1,579,702 | 1,806,771 |
| Non-operating income and expenses | 62,408 | (51,165) | 5,847 | (57,555) | 154,352 |
| Net income before tax | 1,418,946 | 1,178,448 | 1,064,293 | 1,522,147 | 1,961,123 |
| Net income from continuing operations | 1,206,730 | 986,948 | 893,172 | 1,276,988 | 1,548,542 |
| Loss from discontinued operations | — | — | — | — | — |
| Net profit (loss) for current term | 1,206,730 | 986,948 | 893,172 | 1,276,988 | 1,548,542 |
| Other comprehensive income (loss) during the term | 37,588 | (61,538) | (71,737) | (1,161) | (26,084) |
| Total comprehensive income for the term (Net amout after tax) | 1,244,318 | 925,410 | 821,435 | 1,275,827 | 1,522,458 |
| Earnings per share | 2.65 | 2.14 | 1.92 | 2.73 | 3.31 |

Note: All financial reports from 2014 to 2018 were CPA-certified.

(II) Names of auditing CPAs of the most recent five years and their audit opinions

| Year | Name of CPA | Audit opinion |
|---|---|---|
| 2014 | Yin-fei Liu CPA and Lin, Yu-Kuan CPA at PricewaterhouseCoopers Taiwan | Unqualified opinion |
| 2015 | Yin-fei Liu CPA and Lin, Yu-Kuan CPA at PricewaterhouseCoopers Taiwan | Unqualified opinion |
| 2016 | Irene Wen CPA and Lin, Yu-Kuan CPA, PricewaterhouseCoopers Taiwan | Unqualified opinion |
| 2017 | Irene Wen CPA and Lin, Yu-Kuan CPA, PricewaterhouseCoopers Taiwan | Unqualified opinion |
| 2018 | Irene Wen CPA and Lin, Yu-Kuan CPA, PricewaterhouseCoopers Taiwan | Unqualified opinion |

II. Financial analysis for the last five years

(I) Financial Analysis - Based on IFRS

1. Financial Analysis - Based on IFRS (consolidated)

| Analytical item / Year | | Financial analysis for the last five years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| Financial structure (%) | Debt-to-asset ratio (%) | 33.03 | 28.86 | 32.66 | 37.47 | 37.71 |
| | Long-term fund to property, plant and equipment (%) | 129.05 | 127.84 | 147.53 | 146.20 | 127.47 |
| Liquidity (%) | Current ratio (%) | 241.27 | 221.31 | 214.20 | 201.50 | 143.27 |
| | Quick ratio (%) | 232.78 | 213.05 | 207.39 | 193.36 | 133.51 |
| | Times interest earned | 25.95 | 21.41 | 20.82 | 24.75 | 28.12 |
| Operating ability | Average collection turnover (times) | 5.34 | 5.55 | 4.94 | 4.87 | 4.92 |
| | Days sales outstanding | 68 | 66 | 74 | 75 | 74 |
| | Average inventory turnover (times) | — | — | — | — | — |
| | Average payment turnover (times) | — | — | — | — | — |
| | Average inventory turnover Days | — | — | — | — | — |
| | Property, plant and equipment turnover (times) | 0.66 | 0.64 | 0.70 | 0.87 | 0.84 |
| | Total assets turnover (times) | 0.44 | 0.44 | 0.43 | 0.49 | 0.50 |
| Profitability | Return on assets (%) | 9.40 | 7.61 | 6.58 | 8.28 | 9.46 |
| | Return on equity (%) | 13.59 | 10.51 | 9.06 | 12.24 | 14.62 |
| | Pre-tax income to paid-in capital ratio (%) | 30.18 | 24.72 | 22.00 | 31.37 | 40.41 |
| | Net profit ratio (%) | 20.68 | 16.66 | 14.51 | 16.13 | 18.34 |
| | Earnings per share (NTD) | 2.65 | 2.14 | 1.92 | 2.73 | 3.31 |
| Cash flows | Cash flow ratio (%) | 182.55 | 175.91 | 106.57 | 134.41 | 94.43 |
| | Cash flow adequacy ratio (%) | 90.14 | 94.47 | 112.72 | 112.40 | 109.84 |
| | Cash reinvestment ratio (%) | 9.91 | 8.89 | 7.10 | 10.09 | 8.16 |
| Leverage | Operating leverage | 3.40 | 3.79 | 4.29 | 3.53 | 3.23 |
| | Financial leverage | 1.05 | 1.05 | 1.05 | 1.04 | 1.04 |

Describe the reasons for changes in financial ratios over the last two years. (Analysis can be waived if magnitude of changes are under 20%)

1.Current ratio and quick ratio: An increase in short-term and current portion of long-term borrowings for the current period led to and increase in current liabilities. Current ratio and quick ratio were therefore both lower than the previous period.

2.Profitability ratios (return on assets, return on equity, pre-tax income to paid-in capital ratio, net margin ratio and earnings per share): Business expansion with revenues growing at a faster rate than operating costs and expenses meant after-tax net profit of the current period was up 22% on the previous period. All the profitability ratios were therefore higher than the previous period.

3.Cash flow ratio: Current liabilities increased by 31% this period so current flow ratio was lower than the previous period.

Note 1: All financial reports between 2014 and 2018 were CPA-certified.

Note 2: The formulas for the above table are as follow:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.
2. Liquidity
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.
   (3) Time interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.
   (2) Average collection period = 365 / receivables turnover.
   (3) Inventory turnover ratio = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.
   (5) Average days of sales = 365 / inventory turnover.
   (6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.
   (7) Fixed assets turnover = net sales / average gross assets.
4. Profitability
   (1) Return on assets = [net income + interest expense × (1 - tax rate)] / average total assets.
   (2) ROE = income after tax / net average equity.
   (3) Net margin = net income / net sales.
   (4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 3)
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense) / operating profit (Note 5).

(2) Financial leverage = operating profit / (operating profit - interest expense).

Note 3: Please pay particular attention to the following when assessing the above EPS formula:

1. It should be based on the weighted average of ordinary shares rather than shares outstanding at the end of the year.
2. For cash capital increases or treasury stock transactions then their weighted average shares should be calculated based on their period in circulation.
3. If surplus or capital surplus was converted into capital, the EPS for the previous year/half-year should be revised based on the capital increase ratio. The circulation period for the capital increase can be disregarded.
4. If preferred shares are non-convertible cumulative preferred shares then their dividend for the current year (whether they are distributed or not) should be deducted from the net income after tax or added to net loss after tax. If the preferred shares are non-cumulative and there is net income after tax then the dividend from preferred shares should be deducted from net income after tax; no adjustment is necessary for losses.

Note 4: Please pay particular attention to the following when assessing the cash flow analysis:

1. Net cash flow from operating activities refers to net cash income from operating activities in the cash flow table.
2. Capital expenditures refer to cash outflow from capital investments each year.
3. Increases in inventory are only included if the remainder at the end of the period is larger than the start of the period. A decrease in inventory at the end of the year is then treated as zero.
4. Cash dividend is for both ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to the total value of property, plant and equipment before cumulative amortization is deducted.

Note 5: The publisher should classify each item of operating cost or expense as fixed or variable. For estimates or subjective judgments please ensure they are reasonable and consistent.

Note 6: For subsidiaries whose shares are issued without face value or where the face value does not equal to 10 NTD, the calculation of paid-in capital ratio should be calculated using the equity ratio attributable to the owner of the parent company on the asset balance sheet.

## 2. Financial Analysis - Based on IFRS (individual)

| Analytical item | Year | Financial analysis for the last five years (Note 1) | | | | |
|---|---|---|---|---|---|---|
| | | 2014 | 2015 | 2016 | 2017 | 2018 |
| Financial structure (%) | Debt-to-asset ratio (%) | 31.92 | 28.21 | 33.09 | 35.69 | 35.56 |
| | Long-term fund to property, plant and equipment (%) | 150.47 | 145.52 | 175.59 | 198.58 | 184.01 |
| Liquidity (%) | Current ratio (%) | 220.38 | 189.04 | 145.16 | 129.39 | 96.03 |
| | Quick ratio (%) | 214.16 | 183.72 | 142.43 | 126.10 | 93.38 |
| | Times interest earned | 27.60 | 21.91 | 20.98 | 24.62 | 28.05 |
| Operating ability | Average collection turnover (times) | 5.14 | 5.49 | 5.04 | 4.69 | 4.66 |
| | Days sales outstanding | 72 | 67 | 72 | 78 | 78 |
| | Average inventory turnover (times) | — | — | — | — | — |
| | Average payment turnover (times) | — | — | — | — | — |
| | Average inventory turnover Days | — | — | — | — | — |
| | Property, plant and equipment turnover (times) | 0.70 | 0.66 | 0.68 | 0.86 | 0.91 |
| | Total assets turnover (times) | 0.39 | 0.39 | 0.37 | 0.39 | 0.39 |
| Profitability | Return on assets (%) | 9.59 | 7.70 | 6.74 | 8.76 | 9.76 |
| | Return on equity (%) | 13.59 | 10.51 | 9.28 | 12.82 | 14.62 |
| | Pre-tax income to paid-in capital ratio (%) | 29.80 | 24.51 | 21.92 | 31.06 | 40.00 |
| | Net profit ratio (%) | 23.45 | 18.71 | 17.52 | 21.66 | 23.92 |
| | Earnings per share (NTD) | 2.65 | 2.14 | 1.92 | 2.73 | 3.31 |
| Cash flows | Cash flow ratio (%) | 184.25 | 172.37 | 99.29 | 114.77 | 99.13 |
| | Cash flow adequacy ratio (%) | 92.42 | 96.29 | 109.36 | 113.01 | 117.85 |
| | Cash reinvestment ratio (%) | 9.76 | 8.79 | 6.20 | 7.94 | 8.33 |
| Leverage | Operating leverage | 2.78 | 3.12 | 3.49 | 2.68 | 2.52 |
| | Financial leverage | 1.04 | 1.05 | 1.05 | 1.04 | 1.04 |

Describe the reasons for changes in financial ratios over the last two years. (Analysis can be waived if magnitude of changes are under 20%)

1. Current ratio and quick ratio: An increase in short-term and current portion of long-term borrowings for the current period led to an increase in current liabilities. Current ratio and quick ratio therefore were both lower than the previous period.
2. Pre-tax income to paid-in capital ratio: Business expansion with revenues growing at a faster rate than operating costs and expenses meant after-tax net profit of the current period was up 29% on the previous period, therefore pre-tax income to paid-in capital ratio increased than preious period.

Note 1: All financial reports from 2014 to 2018 were CPA-certified.

Note 2: The formulas for the above table are as follow:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net amount of real estate properties, plants and equipment.

2. Liquidity

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expense) / current liabilities.

(3) Time interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivables (including accounts receivable arising from operation notes receivable) turnover ratio = net sales / average receivables (including accounts receivable arising from operation notes receivable) balances.

(2) Average collection period = 365 / receivables turnover.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable arising from operation notes payable) turnover ratio = cost of goods sold / average payables (including accounts payable arising from operation notes payable) balances.

(5) Average days of sales = 365 / inventory turnover.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Fixed assets turnover = net sales / average gross assets.

4. Profitability

(1) Return on assets = [net income + interest expense × (1 - tax rate)] / average total assets.

(2) ROE = income after tax / net average equity.

(3) Net margin = net income / net sales.

(4) EPS = (income belonging to owner of parent company - stock dividend of preferred stocks)/weighted average number of issued shares. (Note 3)

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Net cash flow adequacy ratio = Net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend) for the most recent five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities - cash dividend) / (gross

margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 4)

6. Leverage:

(1) Operating leverage = (net operating revenues - current operating cost and expense) / operating profit (Note 5).

(2) Financial leverage = operating profit / (operating profit - interest expense).

Note 3: Please pay particular attention to the following when assessing the above EPS formula:

1. It should be based on the weighted average of ordinary shares rather than shares outstanding at the end of the year.
2. For cash capital increases or treasury stock transactions then their weighted average shares should be calculated based on their period in circulation.
3. If surplus or capital surplus was converted into capital, the EPS for the previous year/half-year should be revised based on the capital increase ratio. The circulation period for the capital increase can be disregarded.
4. If preferred shares are non-convertible cumulative preferred shares then their dividend for the current year (whether they are distributed or not) should be deducted from the net income after tax or added to net loss after tax. If the preferred shares are non-cumulative and there is net income after tax then the dividend from preferred shares should be deducted from net income after tax; no adjustment is necessary for losses.

Note 4: Please pay particular attention to the following when assessing the cash flow analysis:

1. Net cash flow from operating activities refers to net cash income from operating activities in the cash flow table.
2. Capital expenditures refer to cash outflow from capital investments each year.
3. Increases in inventory are only included if the remainder at the end of the period is larger than the start of the period. A decrease in inventory at the end of the year is then treated as zero.
4. Cash dividend is for both ordinary shares and preferred shares.
5. Gross amount of property, plant and equipment refers to the total value of property, plant and equipment before cumulative amortization is deducted.

Note 5: The publisher should classify each item of operating cost or expense as fixed or variable. For estimates or subjective judgments please ensure they are reasonable and consistent.

Note 6: For subsidiaries whose shares are issued without face value or where the face value does not equal to 10 NTD, the calculation of paid-in capital ratio should be calculated using the equity ratio attributable to the owner of the parent company on the asset balance sheet.

III. Audit Committee's audit report for the most recent fiscal year

## Audit Committee's Audit Report

The Board of Directors has prepared the Company’s 2018 Financial Statements, 2018 Business Report and proposal for distribution of 2018 earnings. Of which, the Financial Statements have been audited by PricewaterhouseCoopers Taiwan. 2018 Financial Statements, 2018 Business Report and proposal for distribution of 2018 earnings have been audited by us as Audit Committee of the Company. We deem no inappropriateness on these documents. Pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Please review.

To

2019 Annual General Shareholders Meeting

Ardentec Corporation

Chairman of the Audit Committee: Wei-Shan Hu

February 27, 2019

IV. Financial statements for the most recent year

ARDENTEC CORPORATION AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

In connection with the Consolidated Financial Statements of Affiliated Enterprises of Ardentec Corporation (the “Consolidated FS of the Affiliates”), we represent to you that, the entities required to be included in the Consolidated FS of the Affiliates as of and for the year ended December 31, 2018 in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those required to be included in the Consolidated Financial Statements of Ardentec Corporation and its subsidiaries (the “Consolidated FS of the Group”) in accordance with International Financial Reporting Standard 10, as well as that, the information required to be disclosed in the Consolidated FS of Affiliates is disclosed in the Consolidated FS of the Group. Consequently, Ardentec Corporation does not prepare a separate set of Consolidated FS of Affiliates.

Very truly yours,

Chih-Yuan Lu,
Chairman of Aedentec Corporation
February 27, 2019

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Ardentec Corporation

## *Opinion*

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

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matter – Reference to audits of other independent accountants*, section of our reports, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

## *Basis for opinion*

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Independent accountant's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of their independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key audit matters*

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

The most significant key audit matters in our audit of the consolidated financial statements of the current period are as follows:

**Revenue recognition**

Description

The Group's operating revenue arise mainly from IC testing services. Please refer to Note 4(30) for accounting policies on revenue recognition, and Note 6(21) for details of operating revenue.

Given the significance of service revenue to the consolidated financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Interviewed with management in order to obtain an understanding of and assess the accounting policies on revenue recognition, and tested the design and the operating effectiveness of internal controls in relating to revenue recognition.
2. Selected samples to perform test of detailed transactions, including review of performance obligation of transaction orders and respective prices and of supporting documents for providing service in order to ensure the existence and accuracy of transactions.
3. Examined and verified the assessment procedures and related supporting documents in relation to the stage of completion of performance obligation at the balance sheet date to ensure the reasonableness and timing of revenue recognition.

**Additions to property, plant and equipment**

Description

The Group increased the capital expenditure along with its operational growth. Please refer to Note 4

(16) for accounting policies on property, plant and equipment, and Note 6(7) for details of property, plant and equipment. Considering additions to property, plant and equipment is siginificant to the Company’s financial statements, thus, we determined additions to property, plant and equipment a key audit matter.

<u>How our audit addressed the matter</u>

We performed the following audit procedures on the above key audit matter:

1. Assessed and tested the effectiveness of the internal control system on additions to property, plant and equipment and provision timing of depreciation, and verified respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were correct. Examined the acceptance reports to validate whether the timing that assets are ready for use and are recorded in property listing is appropriate and confirm that depreciation are provided correctly.
2. Obtained an understanding of the reasons that unfinished construction and equipment under acceptance are not ready for use, and ensure the aforementioned status are reasonable through verifying related supporting documents.
3. Sampled and conducted physical inspection of certain assets to confirm that the purchased items exist.

## *Other matter – Reference to audits of other independent accountants*

We did not audit the financial statements of a wholly-owned consolidated subsidiary with total assets of NT$2,283,777 thousand as at December 31, 2017, constituting 14.03% of consolidated total assets, and operating revenue of NT$ 1,264,419 thousand, for the year ended December 31, 2017, constituting 16.09% of consolidated total operating revenue. Those financial statements were audited by other independent accountants whose report thereon has been furnished to us, and our opinion expressed herein is based solely on the report of the other independent accountants.

## *Other matter – Parent company only financial reports*

We have audited and expressed an unqualified opinion on the parent company only financial statements of Ardentec Corp. as at and for the years ended December 31, 2018 and 2017.

***Responsibilities of management and those charged with governance for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of the consolidated financial

statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the Group's financial reporting process.

***Independent accountant's responsibilities for the audit of the consolidated financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

| Wen, Fang-Yu | Lin, Yu-Kuan |
|---|---|

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2019

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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.

ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2018 AMOUNT | % | December 31, 2017 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,843,707 | 10 | $ 3,229,348 | 20 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) and 12(4) | 4,674 | - | 5,844 | - |
| 1120 | Current financial assets at fair value through other comprehensive income | 6(3) | 472 | - | - | - |
| 1125 | Available-for-sale financial assets - current | 12(4) | - | - | 4,175 | - |
| 1136 | Current financial assets at amortised cost | 6(4) and 8 | 1,379,441 | 8 | - | - |
| 1147 | Investments in debt instruments without active market-current | 12(4) | - | - | 684,641 | 4 |
| 1150 | Notes receivable, net | | - | - | 159 | - |
| 1170 | Accounts receivable, net | 6(5) | 1,683,141 | 10 | 1,599,274 | 10 |
| 1180 | Accounts receivable - related parties | 6(5) and 7 | 76,740 | - | 75,385 | 1 |
| 1200 | Other receivables | 7 | 123,175 | 1 | 40,580 | - |
| 1410 | Prepayments | | 368,632 | 2 | 204,903 | 1 |
| 1470 | Other current assets | 8 | 4,919 | - | 32,413 | - |
| 11XX | **Total current assets** | | 5,484,901 | 31 | 5,876,722 | 36 |
| | **Non-current assets** | | | | | |
| 1517 | Non-current financial assets at fair value through other comprehensive income | 6(3) | 89,640 | 1 | - | - |
| 1523 | Available-for-sale financial assets - non-current | 12(4) | - | - | 89,640 | - |
| 1535 | Non-current financial assets at amortised cost | 6(4) and 8 | 9,207 | - | - | - |
| 1550 | Investments accounted for using equity method | 6(6) | 231,349 | 1 | 294,303 | 2 |
| 1600 | Property, plant and equipment,net | 6(7) and 8 | 10,853,806 | 61 | 9,138,047 | 56 |
| 1780 | Intangible assets,net | 6(8) | 629,693 | 4 | 618,079 | 4 |
| 1840 | Deferred income tax assets | 6(26) | 124,232 | 1 | 117,003 | 1 |
| 1900 | Other non-current assets | 6(10) and 8 | 240,592 | 1 | 142,658 | 1 |
| 15XX | **Total non-current assets** | | 12,178,519 | 69 | 10,399,730 | 64 |
| 1XXX | **Total assets** | | $ 17,663,420 | 100 | $ 16,276,452 | 100 |

(Continued)

ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2018 AMOUNT | % | December 31, 2017 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(11) and 7 | $ 411,460 | 2 | $ 300,000 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(13) and 12(4) | 4,614 | - | 23,716 | - |
| 2150 | Notes payable | 7 | 1,410 | - | 1,350 | - |
| 2200 | Other payables | 6(12) and 7 | 1,322,312 | 8 | 1,155,501 | 7 |
| 2230 | Current income tax liabilities | 6(26) | 303,793 | 2 | 178,273 | 1 |
| 2320 | Long-term liabilities, current portion | 6(14), 7 and 8 | 1,764,964 | 10 | 1,244,400 | 8 |
| 2399 | Other current liabilities, others | | 19,819 | - | 13,281 | - |
| 21XX | **Total current liabilities** | | 3,828,372 | 22 | 2,916,521 | 18 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(14) and 8 | 2,598,304 | 15 | 3,007,646 | 18 |
| 2550 | Provisions for liabilities - non-current | 6(17) | 46,932 | - | 45,082 | - |
| 2570 | Deferred income tax liabilities | 6(26) | 43,017 | - | 35,583 | - |
| 2600 | Other non-current liabilities | 6(15) | 144,095 | 1 | 93,881 | 1 |
| 25XX | **Total non-current liabilities** | | 2,832,348 | 16 | 3,182,192 | 19 |
| 2XXX | **Total liabilities** | | 6,660,720 | 38 | 6,098,713 | 37 |
| | **Equity attributable to owners of the parent** | | | | | |
| | **Share capital** | 6(18) | | | | |
| 3110 | Share capital - common stock | | 4,903,252 | 28 | 4,900,361 | 30 |
| | **Capital surplus** | 6(19) | | | | |
| 3200 | Capital surplus | | 1,284,154 | 7 | 1,250,932 | 8 |
| | **Retained earnings** | 6(20) | | | | |
| 3310 | Legal reserve | | 1,346,856 | 8 | 1,219,157 | 8 |
| 3350 | Unappropriated retained earnings | | 3,652,966 | 21 | 3,046,808 | 19 |
| | **Other equity interest** | | | | | |
| 3400 | Other equity interest | | ( 57,756) | ( 1) | ( 112,747) | ( 1) |
| 3500 | **Treasury stocks** | 6(18) | ( 126,772) | ( 1) | ( 126,772) | ( 1) |
| 31XX | **Equity attributable to owners of the parent** | | 11,002,700 | 62 | 10,177,739 | 63 |
| 3XXX | **Total equity** | | 11,002,700 | 62 | 10,177,739 | 63 |
| 3X2X | **Total liabilities and equity** | | $ 17,663,420 | 100 | $ 16,276,452 | 100 |

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

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31,2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | Items | Notes | 2018 AMOUNT | 2018 % | 2017 AMOUNT | 2017 % |
|---|---|---|---|---|---|---|
| 4000 | **Operating revenue** | 6(21) and 7 | $ 8,443,804 | 100 | $ 7,860,015 | 100 |
| 5000 | **Operating costs** | 6(24)(25) | (5,602,652) | (66) | (5,402,374) | (69) |
| 5900 | **Gross profit from operations** | | 2,841,152 | 34 | 2,457,641 | 31 |
| | **Operating expenses** | 6(24)(25) and 7 | | | | |
| 6100 | Selling expenses | | (77,298) | (1) | (76,885) | (1) |
| 6200 | General and administrative expenses | | (582,296) | (7) | (505,362) | (7) |
| 6300 | Research and development expenses | | (343,627) | (4) | (257,076) | (3) |
| 6000 | **Total operating expenses** | | (1,003,221) | (12) | (839,323) | (11) |
| 6900 | **Operating profit** | | 1,837,931 | 22 | 1,618,318 | 20 |
| | **Non-operating income and expenses** | | | | | |
| 7010 | Other income | 6(22) and 7 | 95,134 | 1 | 82,115 | 1 |
| 7020 | Other gains and losses | 6(23) | 184,167 | 2 | (52,419) | (1) |
| 7050 | Finance costs | | (73,044) | (1) | (64,723) | (1) |
| 7060 | Share of loss of associates and joint ventures accounted for using equity method | 6(6) | (62,954) | (1) | (45,867) | - |
| 7000 | **Total non-operating income and expenses** | | 143,303 | 1 | (80,894) | (1) |
| 7900 | **Profit before income tax** | | 1,981,234 | 23 | 1,537,424 | 19 |
| 7950 | Income tax expense | 6(26) | (432,692) | (5) | (269,853) | (3) |
| 8200 | **Profit for the year** | | $ 1,548,542 | 18 | $ 1,267,571 | 16 |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial loss on defined benefit plans | 6(15) | ($ 7,764) | - | ($ 13,877) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | (610) | - | - | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(26) | 1,573 | - | 2,300 | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | | (21,499) | - | 11,908 | - |
| 8362 | Unrealized gain on valuation of available-for-sale financial assets | 12(4) | - | - | 532 | - |
| 8399 | Income tax relating to the components of other comprehensive income that will not be reclassified to profit or loss | 6(26) | 2,216 | - | (2,024) | - |
| 8300 | **Total other comprehensive loss for the year** | | ($ 26,084) | - | ($ 1,161) | - |
| 8500 | **Total comprehensive income for the year** | | $ 1,522,458 | 18 | $ 1,266,410 | 16 |
| | **Profit attributable to:** | | | | | |
| 8610 | Owners of the parent | | $ 1,548,542 | 18 | $ 1,276,988 | 16 |
| 8620 | Non-controlling interest | | $ - | - | ($ 9,417) | - |
| | **Comprehensive income (loss) attributable to:** | | | | | |
| 8710 | Owners of the parent | | $ 1,522,458 | 18 | $ 1,275,827 | 16 |
| 8720 | Non-controlling interest | | $ - | - | ($ 9,417) | - |
| 9750 | **Basic earnings per share** | 6(27) | $ | 3.31 | $ | 2.73 |
| 9850 | **Diluted earnings per share** | 6(27) | $ | 3.20 | $ | 2.68 |

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

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Retained earnings | | Other equity interest | | | | | | | |
| | Notes | Share capital - common stock | Capital surplus | Legal 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 | Unrealized gain or loss on available-for-sale financial assets | Other equity - others | Treasury stocks | Total | Non-controlling interest | Total equity |
| For the year ended December 31, 2017 | | | | | | | | | | | | | |
| Balance at January 1, 2017 | | $ 4,855,753 | $ 1,106,838 | $ 1,129,839 | $ 2,753,058 | $ 47,766 | $ - | $ 73 | ($ 15,581 ) | ($ 126,772 ) | $ 9,750,974 | $ 780,385 | $ 10,531,359 |
| Profit for the year | | - | - | - | 1,276,988 | - | - | - | - | - | 1,276,988 | ( 9,417 ) | 1,267,571 |
| Other comprehensive loss for the year | | - | - | - | ( 11,577 ) | 9,884 | - | 532 | - | - | ( 1,161 ) | - | ( 1,161 ) |
| Total comprehensive income | | - | - | - | 1,265,411 | 9,884 | - | 532 | - | - | 1,275,827 | ( 9,417 ) | 1,266,410 |
| Distribution of 2016 earnings | 6(20) | | | | | | | | | | | | |
| Legal reserve | | - | - | 89,318 | ( 89,318 ) | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | | - | - | - | ( 606,969 ) | - | - | - | - | - | ( 606,969 ) | - | ( 606,969 ) |
| Restricted employee options issued | 6(16)(18)(19) | 46,000 | 126,040 | - | - | - | - | - | ( 172,040 ) | - | - | - | - |
| Compensation cost of employee restricted shares | 6(16)(19) | - | - | - | - | - | - | - | 12,963 | - | 12,963 | - | 12,963 |
| Retirement of employee restricted shares | 6(16)(18)(19) | ( 1,392 ) | ( 2,264 ) | - | - | - | - | - | 3,656 | - | - | - | - |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | 6(19)(28) | - | 20,318 | - | - | - | - | - | - | - | 20,318 | - | 20,318 |
| Differences between consideration and carrying amount of subsidiaries acquired | | - | - | - | ( 275,374 ) | - | - | - | - | - | ( 275,374 ) | ( 770,968 ) | ( 1,046,342 ) |
| Balance at December 31, 2017 | | $ 4,900,361 | $ 1,250,932 | $ 1,219,157 | $ 3,046,808 | $ 57,650 | $ - | $ 605 | ($ 171,002 ) | ($ 126,772 ) | $ 10,177,739 | $ - | $ 10,177,739 |
| For the year ended December 31, 2018 | | | | | | | | | | | | | |
| Balance at January 1, 2018 | | $ 4,900,361 | $ 1,250,932 | $ 1,219,157 | $ 3,046,808 | $ 57,650 | $ - | $ 605 | ($ 171,002 ) | ($ 126,772 ) | $ 10,177,739 | $ - | $ 10,177,739 |
| Effects of applying new standards | | - | - | - | - | - | 605 | ( 605 ) | - | - | - | - | - |
| Balance at January 1,2018 after adjustments | | 4,900,361 | 1,250,932 | 1,219,157 | 3,046,808 | 57,650 | 605 | - | ( 171,002 ) | ( 126,772 ) | 10,177,739 | - | 10,177,739 |
| Profit for the year | | - | - | - | 1,548,542 | - | - | - | - | - | 1,548,542 | - | 1,548,542 |
| Other comprehensive loss for the year | | - | - | - | ( 6,191 ) | ( 19,283 ) | ( 610 ) | - | - | - | ( 26,084 ) | - | ( 26,084 ) |
| Total comprehensive income | | - | - | - | 1,542,351 | ( 19,283 ) | ( 610 ) | - | - | - | 1,522,458 | - | 1,522,458 |
| Distribution of 2017 earnings | 6(20) | | | | | | | | | | | | |
| Legal reserve | | - | - | 127,699 | ( 127,699 ) | - | - | - | - | - | - | - | - |
| Cash dividends of ordinary share | | - | - | - | ( 808,494 ) | - | - | - | - | - | ( 808,494 ) | - | ( 808,494 ) |
| Restricted employee options issued | 6(16)(18)(19) | 4,000 | 9,020 | - | - | - | - | - | ( 13,020 ) | - | - | - | - |
| Compensation cost of employee restricted shares | 6(16)(19) | - | - | - | - | - | - | - | 84,205 | - | 84,205 | - | 84,205 |
| Retirement of employee restricted shares | 6(16)(18)(19) | ( 1,109 ) | ( 2,590 ) | - | - | - | - | - | 3,699 | - | - | - | - |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | 6(19) | - | 26,792 | - | - | - | - | - | - | - | 26,792 | - | 26,792 |
| Balance at December 31, 2018 | | $ 4,903,252 | $ 1,284,154 | $ 1,346,856 | $ 3,652,966 | $ 38,367 | ($ 5 ) | $ - | ($ 96,118 ) | ($ 126,772 ) | $ 11,002,700 | $ - | $ 11,002,700 |

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

Chairman:Chih-Yuan Lu President:Chi-Ming Chang Accounting Managerial Officer:Leslie Guh

ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2018 | 2017 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 1,981,234 | $ 1,537,424 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(24) | 2,193,467 | 2,274,243 |
| Amortization | 6(8)(24) | 74,241 | 76,186 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | 6(23) | ( 14,840 ) | 4,296 |
| Compensation cost of employee restricted shares | 6(16)(25) | 84,205 | 12,963 |
| Interest expense | | 73,044 | 64,723 |
| Interest income | 6(22) | ( 27,796 ) | ( 27,926 ) |
| Dividend income | 6(22) | ( 156 ) | ( 131 ) |
| Share of loss of associates accounted for using equity method | | 62,954 | 45,867 |
| Gain on disposal of property, plant and equipment | 6(23) | ( 186,651 ) | ( 30,890 ) |
| Impairment loss of financial assets | 6(24) | - | 7,000 |
| Amortization of land use right | | 1,729 | - |
| Exchange loss on long-term borrowings | | 23,606 | 23,607 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable, net | | 159 | 318 |
| Accounts receivable | | ( 68,078 ) | ( 109,076 ) |
| Other receivables | | ( 11,013 ) | ( 10,068 ) |
| Prepayments | | ( 165,109 ) | ( 85,400 ) |
| Rental expense reclassified from long-term prepaid rents | | ( 242 ) | 65 |
| Changes in operating liabilities | | | |
| Notes payable | | 60 | 156 |
| Other payables | | ( 59,708 ) | 383,413 |
| Other current liabilities | | 5,813 | ( 1,741 ) |
| Accrued pension liabilities | | ( 2,232 ) | ( 12,593 ) |
| Cash inflow generated from operations | | 3,964,687 | 4,152,436 |
| Interest received | | 28,087 | 28,038 |
| Interest paid | | ( 74,186 ) | ( 65,003 ) |
| Dividends received | | 156 | 131 |
| Income taxes paid | | ( 303,521 ) | ( 195,487 ) |
| Net cash flows from operating activities | | 3,615,223 | 3,920,115 |

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ARDENTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2018 | 2017 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in investments in debt instrument without active market | | $ - | ($ 5,513 ) |
| Acquisition of property, plant and equipment | 6(30) | ( 3,793,387 ) | ( 2,635,378 ) |
| Proceeds from disposal of property, plant and equipment | | 223,087 | 34,952 |
| Acquisition of intangible assets | 6(8) | ( 85,860 ) | ( 42,050 ) |
| Acquisition of subsidiaries (net of cash acquired) | 6(28) | - | ( 1,046,342 ) |
| Increase in financial assets measured by amortized cost | | ( 662,399 ) | - |
| (Increase) decrease in restricted assets | | ( 30,886 ) | 20,559 |
| Decrease (increase) in refundable deposits | | 902 | ( 3,621 ) |
| Increase in land use rights | | ( 85,409 ) | - |
| Net cash flows used in investing activities | | ( 4,433,952 ) | ( 3,677,393 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term loans | 6(31) | 112,042 | ( 346,006 ) |
| Proceeds from long-term debt | 6(31) | 2,420,000 | 5,131,000 |
| Repayment of long-term debt | 6(31) | ( 2,332,384 ) | ( 4,239,282 ) |
| (Decrease) increase in guarantee deposits received | | ( 930 ) | 930 |
| Obtain a subsidy for advance payment | 6(31) | 45,573 | - |
| Cash dividends paid | | ( 781,702 ) | ( 606,969 ) |
| Net cash flows used in financing activities | | ( 537,401 ) | ( 60,327 ) |
| Effects due to changes in exchange rate | | ( 29,511 ) | 75,894 |
| Net (decrease) increase in cash and cash equivalents | | ( 1,385,641 ) | 258,289 |
| Cash and cash equivalents at beginning of year | | 3,229,348 | 2,971,059 |
| Cash and cash equivalents at end of year | | $ 1,843,707 | $ 3,229,348 |

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

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Ardentec Corp. (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in provision of integrated circuit testing service.

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

These consolidated financial statements were authorised for issuance by the Board of Directors on February 27, 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 the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions' | January 1, 2018 |
| Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts' | January 1, 2018 |
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2018 |
| Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers' | January 1, 2018 |
| Amendments to IAS 7, 'Disclosure initiative' | January 1, 2017 |
| Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses' | January 1, 2017 |
| Amendments to IAS 40, 'Transfers of investment property' | January 1, 2018 |
| IFRIC 22, 'Foreign currency transactions and advance consideration' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, | January 1, 2017 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, | January 1, 2018 |

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.

A. IFRS 9, 'Financial instruments'

(a) Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(c) The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, 'Revenue from contracts with customers' and amendments

(a) IFRS 15, 'Revenue from contracts with customers' replaces IAS 18, 'Revenue' and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. After the adoption of IFRS 15, for services rendered according to agreements with customers, the Company recognizes revenue over time if the Company's performance enhances an asset that the customer controls as the asset is enhanced. Before the adoption of IFRS 15, the Company recognized revenue when testing was completed or delivered. However, the aforementioned difference has no material impact on the Group's consolidated financial statements.

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

New standards, interpretations and amendments endorsed by the 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'

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.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the

Group does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $1,091,695 and $1,017,273, respectively, and prepayments, property, plant and equipment, long-term leases prepayment (shown as other non-current assets) and accrued expenses will be decreased by $1,697, $9,520, $81,452 and $18,247, respectively.

(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 |
|---|---|
| Amendment 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 |

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. The quantitative impact will be disclosed when the assessment is complete.

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", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(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 and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Financial assets and liabilities at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

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 judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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 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 noncontrolling 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 (%) Year ended December 31, 2018 | Ownership (%) Year ended December 31, 2017 | Description |
|---|---|---|---|---|---|
| Ardentec Corp. | Sheng Tang Investment Ltd. | General investments | 100 | 100 | |
| Ardentec Corp. | Valutek, Inc. | General investments | 100 | 100 | |
| Ardentec Corp. | Valucom Investment, Inc. | General investments | 100 | 100 | |
| Ardentec Corp. | Ardentec Singapore Pte. Ltd. | Provider of test and assembly services | 100 | 100 | |
| Ardentec Corp. | Ardentec Korea Co., Ltd. | Electronic integrated circuits, diodes, transistors and similar semiconductor devices/ Semiconductor and integrated cirucuit devices testing and trimming | 100 | 100 | |
| Ardentec Corp. | Giga Solution Technology Co., Ltd. | Integrated circuit, module and component testing | 100 | 100 | Note 1 |
| Sheng Tang Investment Ltd. | Ardentec Semiconductor, Ltd. | Electronic components manufacturing | 100 | 100 | |
| Valucom Investment,Inc. | ValuTest Incorporated | General investments | 100 | 100 | |
| ValuTest Incorporated | Ardentec Nanjing Co., Ltd. | Semiconductor testing, research, and development | 100 | 100 | |

Note 1: From July 25, 2016 to August 25, 2016, the Company acquired shares of Giga Solution Technology Co., Ltd. with public tender offer and obtained control on September 1, 2016. Since then, the profit and loss of Giga Solution Technology Co., Ltd. are included in the consolidated financial statements. On August 30, 2017, the Company acquired all outstanding stock not already owned for a cash consideration, increasing the ownership to 100%.

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

D. Adjustments are not required since the subsidiaries adopt the same accounting period.

E. Subsidiaries' ability of transferring capital to parent company has not been significantly restricted.

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

(4) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency”). The consolidated financial statements are presented in New Taiwan dollars, which is the Company’s functional and the Group’s presentation currency.

A. 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) All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

B. Translation of foreign operations

The operating results and financial position of all the group entities 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.

(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

Effective 2018

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 assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss 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.

Prior to 2018

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

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. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

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

Effective 2018

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) Available-for-sale financial assets

Prior to 2018

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(10) Financial assets at amortised cost

Effective 2018

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(11) Investments in debt instruments without active market

Prior to 2018

Investments in debt instruments without active market held by the Group are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(12) Accounts and notes receivable

Effective 2018

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.

Prior to 2018

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(13) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, 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.

Prior to 2018

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:
   (a) Significant financial difficulty of the issuer or debtor;
   (b) A breach of contract, such as a default or delinquency in interest or principal payments;
   (c) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
   (d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
   (e) The disappearance of an active market for that financial asset because of financial difficulties;
   (f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
   (g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
   (h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:
   (a) Financial assets measured at amortised cost

   The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

   (b) Available-for-sale financial assets

   The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognised, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

(14) 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.

(15) 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 percent 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.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes not affecting 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. 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. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(16) 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:

| | |
|---|---|
| Land improvements | 10 years |
| Buildings and structures | 5 ~ 50 years |
| Machinery and equipment | 2 ~ 15 years |
| Transportation equipment | 5 years |
| Office equipment | 3 ~ 5 years |
| Leasehold improvements | 8 years |
| Other facilities | 2 ~ 6 years |

(17) Leases

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.

(18) Intangible assets

Intangible assets primarily consist of computer software, goodwill, customer relationships, patents, and other intangible assets. With the exception of goodwill, the aforementioned assets are amortized on a straight-line basis over their useful lives of 1 to 5 years.

Goodwill arises in a business combination accounted for by applying the acquisition method.

(19) Impairment of non-financial assets

A. 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 recognising 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.

B. The recoverable amounts of goodwill are evaluated periodically. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognised in profit or loss shall not be reversed in the following years.

C. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

(20) 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 osts) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

Effective 2018

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. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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.

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

Prior to 2018

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. 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 categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognised in profit or loss.

(22) 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.

(23) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(24) Provisions

Provisions-decommissioning are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) 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

(a) Defined contribution plan

For defined contribution plan, 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.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Employee share-based payment

Issuance of employee restricted stock

A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

C. For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign or pass away due to non-occupational accident before fulfilling the vesting condition, the Company will recover the shares without compensation and make retirement registration.

(27) 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 10% 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. Deferred tax is provided on temporary differences arising on investments in subsidiaries, 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(28) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. 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.

(29) 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.

(30) Revenue recognition

Effective 2018

Test revenue

A. The Group is primarily engaged in providng test service of integrated circuit. Customers control the asset and the Group transfers its control over goods or service over time and recognises revenue when performance obligation is satisfied over time. If the commitment is required to render a specified service, such service rely on technical experts' input and related activity. The stage of completion of service is measured by the proportion of completed testing time to the estimated total testing time. If the commitment is required to provide services in certain periods, the stage of completion of service is measured by the time incurred. Because the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Prior to 2018

The Group renders testing-related services. Revenue from rendering services is recognised when the transactional result can be reliably estimated at the time of testing completion or delivery, whichever is stipulated as the transaction term.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received.

(32) Business combinations

A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(33) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Group's 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 years, and the related information is addressed below:

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

None.

(2) Critical accounting estimates and assumptions

(1) Impairment of goodwill acquired in a business combination

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, that is expected to benefit from the synergies of the business combination. To calculate value-in-use, management shall estimate the future cash flows generated from cash-generating units, and determine the discout rate used to calculate present value. If the actual cash flow is lower than expected cash flow, the significant impairment loss will be incurred.

(2) Estimation of useful life of property, plant and equipment

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 audit the sales 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.

On June 11, 2018, the Board of Directors of the subsidiary, Giga Solution Technology Co., Ltd., at their meeting resolved to change the useful life of certain machinery and equipment based on the historical experience and similar assets that are widely used in the same industry in order to reflect the actual situation of property, plant and equipment. The useful life of certain machinery and equipment was extended from 3 to 6 years to 6 to 7 years starting from April 1, 2018. The effect on depreciation due to the useful life extended for the year ended December 31, 2018 and over future years is as follows:

| | Years ended December 31 | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Decrease in depreciation | ($ 105,379) | ($ 88,335) | ($ 22,500) |

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Cash on hand and petty cash | $ 214 | $ 215 |
| Checking accounts and demand deposits | 777,948 | 1,123,744 |
| Time deposits | 426,178 | 2,105,389 |
| Notes and bonds issued under repurchase agreement | 639,367 | - |
| | $ 1,843,707 | $ 3,229,348 |

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. The Group does not pledge any cash or cash equivalents disclosed in the balance sheet as collateral. For details about cash and cash equivalents pledged as collateral (as shown in the Table “Other current assets”, “Other non-current assets” and “ Current financial assets at amortised cost”), please refer to Note 8.

C. On December 31, 2018, the Group’s time deposits mature in excess of three months recorded in financial assets at amortised cost-current amounted to $1,331,833, please refer to Note 6(4) for more information. On December 31, 2017, the Group’s time deposits mature in excess of three months recorded in investments in debt instrument without active market amounted to $684,641, please refer to Note 12(4).

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

| Items | December 31, 2018 |
|---|---|
| Current items: | |
| Financial assets mandatorily measured at fair value through profit or loss | |
| Yuanta/P-shares Taiwan Top 50 ETF. | $ 3,093 |
| Valuation adjustment | 305 |
| | 3,398 |
| Derivatives | 1,276 |
| | $ 4,674 |

A.The Group recognised net gain of $19,545 on financial assets at fair value through profit or loss for the year ended December 31, 2018.

B.The derivative financial assets transaction and contract information are as follows:

| Derivative financial assets | December 31, 2018 Contract amount (in thousand) (notional principal) | | December 31, 2018 Contract period |
|---|---|---|---|
| Current items: | | | |
| Forward foreign exchange contracts | US$ | 6,589 | 2018.10.05~ 2019.02.25 |

The Group entered into forward exchange contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

| Items | December 31, 2018 | |
|---|---|---|
| Current items: | | |
| Equity instruments | | |
| CTBC Financial Holding Co., Ltd. | $ | 477 |
| Valuation adjustment | ( | 5) |
| | $ | 472 |
| Non-current items: | | |
| Equity instruments | | |
| Great Team Backend Foundry, Inc. | $ | 89,640 |

A.The Group recognised ($610) in other comprehensive income for fair value change for the year ended December 31, 2018.

B. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortised cost

| Items | December 31, 2018 | |
|---|---|---|
| Current items: | | |
| Pledged time deposit | $ | 47,608 |
| Time deposits-maturing in over three months | | 1,331,833 |
| | $ | 1,379,441 |
| Non-current items: | | |
| Pledged time deposit | $ | 9,207 |

A. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount was $1,388,648.

B. Details of the Group’s financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

D. Information on investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(5) Accounts receivable

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Accounts receivable | $ 1,685,380 | $ 1,601,513 |
| Less: Allowance for bad debts | ( 2,239) | ( 2,239) |
| | 1,683,141 | 1,599,274 |
| Related parties | 76,740 | 75,385 |
| | $ 1,759,881 | $ 1,674,659 |

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

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Not past due | $ 1,694,693 | $ 1,624,681 |
| Up to 30 days | 40,829 | 38,669 |
| 31 to 90 days | 24,861 | 10,727 |
| 91 to 180 days | 1,737 | 2,821 |
| | $ 1,762,120 | $ 1,676,898 |

The above ageing analysis was based on past due date.

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

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

D. Information of December 31, 2017 is provided in Note 12(4).

(6) Investments accounted for using equity method

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Associates: | | |
| Raytek Semiconductor, Inc. | $ 231,349 | $ 294,303 |

Associates:

A. The basic information of the associate that is material to the Group is as follows:

| | | Shareholding ratio | |
|---|---|---|---|
| Company name | Principal place of business | December 31, 2018 | December 31, 2017 |
| Raytek Semiconductor, Inc. | Taiwan | 31.30% | 31.73% |

B. The summarised financial information of the associate that is material to the Group is shown below:

Balance sheet

| | Raytek Semiconductor, Inc. | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| Current assets | $ 155,971 | $ 288,222 |
| Non-current assets | 913,103 | 965,220 |
| Current liabilities | ( 129,754) | ( 131,455) |
| Non-current liabilities | ( 200,555) | ( 200,000) |
| | $ 738,765 | $ 921,987 |
| Share in associate's net assets | $ 231,205 | $ 292,572 |
| Goodwill | 3,371 | 3,371 |
| Employee stock options | ( 3,227) | ( 1,640) |
| Carrying amount of the associate | $ 231,349 | $ 294,303 |

Statement of comprehensive income

| | Raytek Semiconductor, Inc. | |
|---|---|---|
| | Year ended December 31, 2018 | Year ended December 31, 2017 |
| Revenue | $ 103,501 | $ 13,388 |
| Net loss | ( 201,155) | ( 144,541) |
| Total comprehensive loss | ($ 201,155) | ($ 144,541) |

C. For the years ended December 31, 2018 and 2017, the recognised investment loss using equity method was $62,954 and $45,867, respectively.

## (7) Property, plant and equipment

| | Land | Land improvements | Buildings and structures | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Unfinished construction and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2018 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 2,051,887 | $ 24,589,297 | $ 10,261 | $ 191,785 | $ 666,840 | $ 271,770 | $ 777,845 | $ 29,220,638 |
| Accumulated depreciation | - | (7,255) | (920,001) | (18,309,939) | (6,721) | (167,548) | (474,909) | (191,163) | - | (20,077,536) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 1,131,886 | $ 6,274,303 | $ 3,540 | $ 24,237 | $ 191,931 | $ 80,607 | $ 777,845 | $ 9,138,047 |
| 2018 | | | | | | | | | | |
| At January 1 | $ 653,698 | $ - | $ 1,131,886 | $ 6,274,303 | $ 3,540 | $ 24,237 | $ 191,931 | $ 80,607 | $ 777,845 | $ 9,138,047 |
| Additions | - | - | 52,388 | 1,842,457 | - | 22,093 | 8,048 | 38,519 | 2,057,856 | 4,021,361 |
| Disposals | - | - | - | (108,309) | - | - | - | - | - | (108,309) |
| Reclassifications | - | - | 40,953 | 1,551,622 | - | 2,361 | 21,590 | 20,602 | (1,637,128) | - |
| Depreciation charge | - | - | (90,631) | (2,012,084) | (1,057) | (11,647) | (44,686) | (33,362) | - | (2,193,467) |
| Net exchange differences | - | - | (6,437) | (31,405) | 1 | (41) | 3,947 | 2,408 | 27,701 | (3,826) |
| At December 31 | $ 653,698 | $ - | $ 1,128,159 | $ 7,516,584 | $ 2,484 | $ 37,003 | $ 180,830 | $ 108,774 | $ 1,226,274 | $ 10,853,806 |
| At December 31, 2018 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 2,141,262 | $ 27,195,801 | $ 10,248 | $ 214,555 | $ 664,019 | $ 272,379 | $ 1,226,274 | $ 32,385,491 |
| Accumulated depreciation | - | (7,255) | (1,013,103) | (19,674,162) | (7,764) | (177,552) | (483,189) | (163,605) | - | (21,526,630) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 1,128,159 | $ 7,516,584 | $ 2,484 | $ 37,003 | $ 180,830 | $ 108,774 | $ 1,226,274 | $ 10,853,806 |

| (Adjusted) | Land | Land improvements | Buildings and structures | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Unfinished construction and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 2,027,786 | $ 21,984,530 | $ 8,412 | $ 226,859 | $ 633,689 | $ 237,395 | $ 65,860 | $ 25,845,484 |
| Accumulated depreciation | - | (7,255) | (823,354) | (15,355,711) | (6,165) | (197,372) | (400,125) | (162,658) | - | (16,952,640) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 1,204,432 | $ 6,623,764 | $ 2,247 | $ 29,487 | $ 233,564 | $ 74,737 | $ 65,860 | $ 8,887,789 |
| 2017 | | | | | | | | | | |
| At January 1 | $ 653,698 | $ - | $ 1,204,432 | $ 6,623,764 | $ 2,247 | $ 29,487 | $ 233,564 | $ 74,737 | $ 65,860 | $ 8,887,789 |
| Additions | - | - | 7,329 | 1,062,679 | 2,446 | 10,682 | 5,117 | 20,806 | 1,516,977 | 2,626,036 |
| Disposals | - | - | - | (4,062) | - | - | - | - | - | (4,062) |
| Reclassifications | - | - | 4,875 | 698,580 | - | - | 3,889 | 8,778 | (782,259) | (66,137) |
| Depreciation charge | - | - | (92,318) | (2,084,991) | (1,153) | (16,276) | (50,608) | (28,897) | - | (2,274,243) |
| Net exchange differences | - | - | 7,568 | (21,667) | - | 344 | (31) | 5,183 | (22,733) | (31,336) |
| At December 31 | $ 653,698 | $ - | $ 1,131,886 | $ 6,274,303 | $ 3,540 | $ 24,237 | $ 191,931 | $ 80,607 | $ 777,845 | $ 9,138,047 |
| At December 31, 2017 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 2,051,887 | $ 24,589,297 | $ 10,261 | $ 191,785 | $ 666,840 | $ 271,770 | $ 777,845 | $ 29,220,638 |
| Accumulated depreciation | - | (7,255) | (920,001) | (18,309,939) | (6,721) | (167,548) | (474,909) | (191,163) | - | (20,077,536) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 1,131,886 | $ 6,274,303 | $ 3,540 | $ 24,237 | $ 191,931 | $ 80,607 | $ 777,845 | $ 9,138,047 |

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Intangible assets

| | Software | Goodwill | Customer Relationships | Patents | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2018 | | | | | | |
| Cost | $ 47,348 | $ 494,322 | $ 96,196 | $ 37,730 | $ 3,695 | $ 679,291 |
| Accumulated amortisation | ( 27,808) | - | ( 24,384) | ( 7,066) | ( 1,954) | ( 61,212) |
| | $ 19,540 | $ 494,322 | $ 71,812 | $ 30,664 | $ 1,741 | $ 618,079 |
| 2018 | | | | | | |
| At January 1 | $ 19,540 | $ 494,322 | $ 71,812 | $ 30,664 | $ 1,741 | $ 618,079 |
| Additions | 78,424 | - | - | - | 7,436 | 85,860 |
| Amortisation charge | ( 48,595) | - | ( 18,288) | ( 5,299) | ( 2,059) | ( 74,241) |
| Net exchange differences | ( 28) | - | - | - | 23 | ( 5) |
| At December 31 | $ 49,341 | $ 494,322 | $ 53,524 | $ 25,365 | $ 7,141 | $ 629,693 |
| At December 31, 2018 | | | | | | |
| Cost | $ 70,935 | $ 494,322 | $ 71,812 | $ 30,664 | $ 10,712 | $ 678,445 |
| Accumulated amortisation | ( 21,594) | - | ( 18,288) | ( 5,299) | ( 3,571) | ( 48,752) |
| | $ 49,341 | $ 494,322 | $ 53,524 | $ 25,365 | $ 7,141 | $ 629,693 |

| | Software | Goodwill | Customer Relationships | Patents | Others | Total |
|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | |
| Cost | $ 66,003 | $ 494,322 | $ 96,196 | $ 37,730 | $ 3,085 | $ 697,336 |
| Accumulated amortisation | ( 43,757) | - | - | - | ( 1,286) | ( 45,043) |
| | $ 22,246 | $ 494,322 | $ 96,196 | $ 37,730 | $ 1,799 | $ 652,293 |
| 2017 | | | | | | |
| At January 1 | $ 22,246 | $ 494,322 | $ 96,196 | $ 37,730 | $ 1,799 | $ 652,293 |
| Additions | 41,440 | - | - | - | 610 | 42,050 |
| Amortisation charge | ( 44,068) | - | ( 24,384) | ( 7,066) | ( 668) | ( 76,186) |
| Net exchange differences | ( 78) | - | - | - | - | ( 78) |
| At December 31 | $ 19,540 | $ 494,322 | $ 71,812 | $ 30,664 | $ 1,741 | $ 618,079 |
| At December 31, 2017 | | | | | | |
| Cost | $ 47,348 | $ 494,322 | $ 96,196 | $ 37,730 | $ 3,695 | $ 679,291 |
| Accumulated amortisation | ( 27,808) | - | ( 24,384) | ( 7,066) | ( 1,954) | ( 61,212) |
| | $ 19,540 | $ 494,322 | $ 71,812 | $ 30,664 | $ 1,741 | $ 618,079 |

Details of amortization on intangible assets are as follows:

| | Years ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Operating cost | $ 45,015 | $ 39,217 |
| Selling expenses | 18,288 | 24,384 |
| Administrative expenses | - | 44 |
| Research and development expenses | 10,938 | 12,541 |
| | $ 74,241 | $ 76,186 |

(9) Assessment of impairment of non-financial assets

A. When Giga Solution Technology Co., Ltd. was acquired with public tender offer by cash, goodwill accrues in case the acquisition cost exceeds the net fair value of the acquired asset.

B. Goodwill is allocated to the Group's cash-generating units identified according to operating segment. The recoverable amount of all cash-generating units has been determined based on value-in-use calculations. These calculations use management's cash flow projections based on financial budgets covering a five-year period. The assumptions in value-in-use calculations are:

(a) Revenue growth rate: It was calculated by referring to relevant information concerning the industry, market and formulated business sales plan.

(b) Gross margin:It was calculated by referring to historical values and formulated business sales plan.

(c) Operating expense rate：It was calculated by referring to historical values and formulated business sales plan.

(d) Discount rate: The discount rate used was 12.86% and 11.54% for the years ended December 31, 2018 and 2017, respectively.

The recoverable amount calculated based on the above assumptions is higher than the sum of carrying value of assets of the cash-generating unit. Thus, there is no impairment for the assets.

(10) Other non-current assets

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Refundable deposits | $ 106,084 | $ 106,704 |
| Prepaid rent (Land use rights) | 81,452 | - |
| Prepaid pension expense | 27,079 | 26,734 |
| Restricted assets (Note) | 25,966 | - |
| Prepayment for equipment | 11 | 25 |
| Pledged time deposit | - | 9,195 |
| | $ 240,592 | $ 142,658 |

On February 6, 2018, the Group signed a land use right contract with the Nanjing Municipal Bureau of Land and Resources, Pukou branch for the use of the land in the Pukou Economic Development Zone with a term of 50 years. All rentals had been paid on the contract date. The Group recognised rental expenses of $1,729 for the year ended December 31, 2018.

Note: Restricted assets mainly arise from demand deposit restricted as a special reserve due to long-term syndicated loan, please refer to Note 8 for more information.

(11) Short-term borrowings

| Type of borrowings | December 31, 2018 | Interest rate range |
|---|---|---|
| Unsecured bank borrowings | $ 411,460 | 0.82%~3.895% |

| Type of borrowings | December 31, 2017 | Interest rate range |
|---|---|---|
| Unsecured bank borrowings | $ 300,000 | 0.84% |

(12) Other payables

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Payable on machinery and equipment | $ 306,184 | $ 133,490 |
| Payable for employees' compensation | 289,244 | 225,130 |
| Bonus payable | 229,058 | 187,132 |
| Payable for maintenance expense | 92,472 | 80,645 |
| Wages and salaries payable | 78,722 | 76,080 |
| Payable for directors' and supervisors' remuneration | 70,981 | 55,144 |
| Others | 255,651 | 397,880 |
| | $ 1,322,312 | $ 1,155,501 |

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

| Items | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Current items: | | |
| Derivative instruments | $ 4,614 | $ 23,716 |

A. The Group recognised net loss of $80,237 and $41,058 on derivative financial liabilities for the years ended December 31, 2018 and 2017, respectively.

B. The derivative financial liabilities transaction and contract information are as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Derivative financial Liabilities | Contract amount (in thousand) (Notional principal) | Contract period | Contract amount (in thousand) (Notional principal) | Contract period |
| Current items: | | | | |
| Forward foreign exchange contracts | US$ 8,400 | 2018.05.02~ 2019.03.29 | JPY$ 5,0000 | 2017.12.21~ 2018.03.15 |
| Cross currency swap contracts | US$ - | - | US$ 9,000 | 2016.07.07~ 2018.07.10 |

The Group entered into contracts of forward exchange and cross currency swap contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(14) Long-term borrowings

| Borrowing bank | Type of borrowings | Borrowing period and repayment term | Collateral (Note 2) | December 31, 2018 |
|---|---|---|---|---|
| Mega Bank | Medium and long-term secured borrowings for the purchase of automatic machine (Note 1) | 2016.08.06~2020.08.06 (in installments) | Machinery and equipment (Note 4) | $ 263,268 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated loan | 2019.03.15~2022.03.15 (in installments) | None | 2,500,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long-term unsecured borrowings | 2019.01.09~2019.12.20 (Revolving) | None | 500,000 |
| O-Bank (Note 4) | Medium and long-term unsecured borrowings (Note 1) | 2019.02.27~2019.03.08 (Repay on due date) | None | 400,000 |
| CTBC Bank Co., Ltd. | Medium and long-term unsecured borrowings | 2020.08.24~2021.08.24 (Revolving) | None | 300,000 |
| 7 commercial banks including Bank of Taiwan | Long-term syndicated loan (Note 1) | 2019.03.11~2023.09.10 (Revolving) | None | 400,000 |
| | | | | 4,363,268 |
| Less: Current portion | | | | ( 1,764,964) |
| | | | | $ 2,598,304 |
| Interest rate range | | | | 0.98778%~1.7895% |

| Borrowing bank | Type of borrowings | Borrowing period and repayment term | Collateral (Note 2) | December 31, 2017 |
|---|---|---|---|---|
| Mega Bank | Medium and long-term secured borrowings for the purchase of automatic machine (Note 1) | 2016.08.06~2020.08.06 (in installments) | Machinery and equipment | $ 414,326 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated secured borrowings (Note 1) | 2016.01.04~2019.01.04 (in installments) | Land, Machinery and equipment, Buildings and structures (Note 3) | 814,260 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated loan | 2019.03.15~2022.03.15 (in installments) | None | 1,880,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long-term unsecured borrowings | 2018.03.16~2019.12.20 (Revolving) | None | 500,000 |
| O-Bank (Note 4) | Medium and long-term unsecured borrowings (Note 1) | 2018.02.09~2018.09.30 (Revolving) | None | 200,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long-term secured borrowings for the purchase of automatic machine (Note 1) | 2016.04.15~2020.01.15 (in installments) | Land, Machinery and equipment, Buildings and structures (Note 3) | 90,000 |
| CTBC Bank Co., Ltd. | Medium and long-term secured borrowings for the purchase of automatic machine (Note 1) | 2016.03.29~2018.06.29 (in installments) | Machinery and equipment | 23,000 |
| Citibank Taiwan, Ltd. | Medium and long-term secured borrowings for the purchase of automatic machine (Note 1) | 2018.07.10 (Repay on due date) | Machinery and equipment | 267,093 |
| Land Bank of Taiwan | Medium and long-term secured borrowings for the purchase of automatic machine | 2016.02.16~2020.11.16 (in installments) | Land, Machinery and equipment, Buildings and structures (Note 3) | 63,367 |
| | | | | 4,252,046 |
| Less: Current portion | | | | ( 1,244,400) |
| | | | | $ 3,007,646 |
| Interest rate range | | | | 1.13644%~2.00639% |

Note 1：The credit contract provides that the Group is obliged to comply with certain financial ratios such as current ratio, debt ratio, interest coverage ratio, financial liability ratio and tangible assets during the year and by the end of half a year. As of December 31, 2018 and 2017, the Group has not violated any of the financial ratios.

Note 2：For the carrying amount of collaterals for long-term borrowings, please refer to Note 8.

Note 3：Land, buildings and structures are partially pledged as collateral.

Note 4：Certain land and buildings and structures are used to be the secondary collateral.

(15) Pensions

A.(a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The Company also provides the pension of directors and assigned managers who actually engage in work by referring to the abovementioned regulations. The pension will be paid by the Company upon their resignation. Considering that the accumulated appropriation of pension by the subsidiary Giga Solution Technology Co., Ltd. is sufficient, the appropriation ceased from January 1 to December 31, 2018, with the competent authority's permission. The subsidiary will file for an extension when the term is expired.

(b) The amounts recognised in the balance sheet are as follows:

i.The Company:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Present value of appropriated defined benefit obligation | ($ 139,507) | ($ 128,639) |
| Fair value of plan assets | 77,249 | 72,147 |
| | ( 62,258) | ( 56,492) |
| Present value of unappropriated defined benefit obligation | ( 32,966) | ( 33,068) |
| Net liabilities recognised in the balance sheet | ($ 95,194) | ($ 89,560) |

ii.The subsidiaries –Giga Solution Technology Co., Ltd.:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Present value of defined benefit obligations | ($ 12,388) | ($ 11,197) |
| Fair value of plan assets | 39,467 | 37,931 |
| Net assets recognised in the balance sheet | $ 27,079 | $ 26,734 |

(c) Movements in net defined benefit liabilities are as follows:

i.The Company：

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2018 | | | |
| Balance at January 1 | ($ 161,707) | $ 72,147 | ($ 89,560) |
| Current service cost | ( 1,625) | - | ( 1,625) |
| Interest (expense) income | ( 2,213) | 1,010 | ( 1,203) |
| | ( 165,545) | 73,157 | ( 92,388) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,844 | 1,844 |
| Change in demographic assumptions | ( 5,953) | - | ( 5,953) |
| Change in financial assumptions | ( 2,150) | - | ( 2,150) |
| Experience adjustments | ( 1,608) | - | ( 1,608) |
| | ( 9,711) | 1,844 | ( 7,867) |
| Pension fund contribution | - | 3,761 | 3,761 |
| Paid pension | 2,783 | ( 1,483) | 1,300 |
| Balance at December 31 | ($ 172,473) | $ 77,279 | ($ 95,194) |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2017 | | | |
| Balance at January 1 | ($ 144,655) | $ 67,688 | ($ 76,967) |
| Current service cost | ( 1,728) | - | ( 1,728) |
| Interest (expense) income | ( 2,170) | 1,044 | ( 1,126) |
| | ( 148,553) | 68,732 | ( 79,821) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 377) | ( 377) |
| Change in demographic assumptions | ( 6,693) | - | ( 6,693) |
| Change in financial assumptions | ( 2,020) | - | ( 2,020) |
| Experience adjustments | ( 4,441) | - | ( 4,441) |
| | ( 13,154) | ( 377) | ( 13,531) |
| Pension fund contribution | - | 3,792 | 3,792 |
| Paid pension | - | - | - |
| Balance at December 31 | ($ 161,707) | $ 72,147 | ($ 89,560) |

ii.Subsidiaries –Giga Solution Technology Co., Ltd.:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2018 | | | |
| Balance at January 1 | ($ 11,197) | $ 37,931 | $ 26,734 |
| Current service cost | ( 92) | - | ( 92) |
| Interest (expense) income | ( 140) | 474 | 334 |
| | ( 11,429) | 38,405 | 26,976 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,062 | 1,062 |
| Change in demographic assumptions | ( 30) | - | ( 30) |
| Change in financial assumptions | ( 151) | - | ( 151) |
| Experience adjustments | ( 778) | - | ( 778) |
| | ( 959) | 1,062 | 103 |
| Balance at December 31 | ($ 12,388) | $ 39,467 | $ 27,079 |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2017 | | | |
| Balance at January 1 | ($ 10,765) | $ 37,565 | $ 26,800 |
| Current service cost | ( 87) | - | ( 87) |
| Interest (expense) income | ( 148) | 515 | 367 |
| | ( 11,000) | 38,080 | 27,080 |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 149) | ( 149) |
| Change in demographic assumptions | ( 28) | - | ( 28) |
| Change in financial assumptions | ( 142) | - | ( 142) |
| Experience adjustments | ( 27) | - | ( 27) |
| | ( 197) | ( 149) | ( 346) |
| Balance at December 31 | ($ 11,197) | $ 37,931 | $ 26,734 |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

The Company

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Discount rate | 1.250% | 1.375% |
| Long-term average salary increase rate | 2.000% | 2.000% |

Subsidiaries –Giga Solution Technology Co., Ltd.

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Discount rate | 1.130% | 1.250% |
| Long-term average salary increase rate | 3.000% | 3.000% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Discount rate | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2018 | | | | |
| Parent company | | | | |
| Effect on present value of defined benefit obligation | ($ 5,028) | $ 5,248 | $ 5,133 | ($ 4,944) |
| Subsidiary-Giga Solution Technology Co., Ltd. | | | | |
| Effect on present value of defined benefit obligation | $ 306 | ($ 317) | ($ 303) | ($ 294) |
| Decemer 31, 2017 | | | | |
| Parent company | | | | |
| Effect on present value of defined benefit obligation | ($ 4,795) | $ 5,009 | $ 4,907 | ($ 4,723) |
| Subsidiary-Giga Solution Technology Co., Ltd. | | | | |
| Effect on present value of defined benefit obligation | $ 288 | ($ 299) | ($ 287) | $ 278 |

The sensitivity analysis above was based on one assumption which changed while the other conditions are unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company and domestic subsidiaries for the year ending December 31, 2019 amounts to $3,666.

B. (a) Effective from July 1, 2005, the Group's 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 contributes 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. The pension costs for directors who actually engage in work are paid by the Company after deducting the appropriation to the personal account with the Bureau of Labor Insurance and the profit.

(b) The pension costs under defined contribution pension plans of the Company and its domestic subsidiaries for the years ended December 31, 2018 and 2017 were $64,508 and $60,700, respectively.

(c) The subsidiary, Ardentec Singapore Pte. Ltd., Ardentec Korea Co., Ltd., and Ardentec Nanjing Co., Ltd. have established a defined contribution pension plan under the local laws. For the years ended December 31, 2018 and 2017, the pension costs under defined contribution pension plans of the subsidiaries were $22,856 and $19,143, respectively.

(16) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Group's share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted (share in thousands) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Restricted stocks to employees | 2014.03.13 | 3,145 | 4 years | Note 1 |
| Restricted stocks to employees | 2014.08.11 | 1,840 | 4 years | Note 1 |
| Restricted stocks to employees | 2017.12.21 | 4,600 | 4 years | Note 1 |
| Restricted stocks to employees | 2018.05.03 | 400 | 4 years | Note 1 |

Note 1:

| Beginning year of employment | Vesting conditions: Years of employment | Vesting conditions: Work performance ranking during the year | Earned share ratio |
|---|---|---|---|
| First year | One full year | Successful (and) above | 20% |
| Second year | One full year | | 20% |
| Third year | One full year | | 30% |
| Fourth year | One full year | | 30% |

The restricted stocks issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

B. The Company's new restricted shares issued do not restrict the right of voting and dividend participation. The shares were measured at fair value based on the closing price, $26.3, $26.2, $37.4 and $32.55 (in dollars), on March 13, 2014, August 11, 2014, December 21, 2017 and May 3, 2018, respectively.

C. Details of the employee restricted shares are as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Employee restricted shares | No. of shares (in thousands) | No. of shares (in thousands) |
| Outstanding at beginning of the year | 5,897 | 2,863 |
| Shares granted | 400 | 4,600 |
| Shares vested | ( 2,162) | ( 1,427) |
| Shares retired | ( 111) | ( 139) |
| Outstanding at end of the year | 4,024 | 5,897 |

D. Expenses incurred on share-based payment transactions are shown below:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Equity - settled | $ 84,205 | $ 12,963 |

(17) Provisions-non-current

| | 2018 | 2017 |
|---|---|---|
| At January 1 | $ 45,082 | $ 41,209 |
| Additional provisions | 1,500 | 3,372 |
| Unwinding of discount | 298 | 279 |
| Exchange differences | 52 | 222 |
| At December 31 | $ 46,932 | $ 45,082 |

Analysis of total provisions:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Non-current | $ 46,932 | $ 45,082 |

According to the policy published, applicable agreement or the law/regulation requirement, the Group bears dismantling, removing the asset and restoring the site obligations for certain property, plant and equipment in the future. A provision is recognised for the present value of costs to be incurred for dismantling, removing the asset and restoring the site. It is expected that the provision will be be used in the following years.

(18) Share capital

A. As of December 31, 2018, the Company’s authorised capital was $10 billion consisting of 1 billion shares, including $300 million for stock options of 30 million shares. The paid-in capital was $4,903,252 with a par value of $10 per share.

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

(Unit: shares in thousands)

| | 2018 | 2017 |
|---|---|---|
| At January 1 | 473,786 | 469,325 |
| Issuance of employee restricted shares | 400 | 4,600 |
| Retirement of employee restricted shares | ( 111) | ( 139) |
| At December 31 | 474,075 | 473,786 |

B. Treasury shares

Reason for share reacquisition and movements in the number of the Company’s treasury shares are as follows:

(Unit: shares in thousands/dollars in thousands)

| Name of company holding the shares | Reason for reacquisition | December 31, 2018 Number of shares | December 31, 2018 Carrying amount |
|---|---|---|---|
| Subsidiary - Sheng Tang Investment Ltd. | Investment | 278 | $ 1,997 |
| Subsidiary - Valutek, Inc. | Investment | 15,972 | 124,775 |
| | | 16,250 | $ 126,772 |

| Name of company holding the shares | Reason for reacquisition | December 31, 2017 Number of shares | Carrying amount |
|---|---|---|---|
| Subsidiary - Sheng Tang Investment Ltd. | Investment | 278 | $ 1,997 |
| Subsidiary - Valutek, Inc. | Investment | 15,972 | 124,775 |
| | | 16,250 | $ 126,772 |

(19) Capital surplus

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.

| | 2018 | | | |
|---|---|---|---|---|
| | Share premium | Treasury share transactions | Employee restricted shares | Total |
| At January 1 | $ 868,213 | $ 235,587 | $ 147,132 | $ 1,250,932 |
| Employee restricted shares | - | - | 9,020 | 9,020 |
| Restricted employee options vested | 45,245 | - | ( 45,245) | - |
| Retirement of employee restricted shares | - | - | ( 2,590) | ( 2,590) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 26,792 | - | 26,792 |
| At December 31 | $ 913,458 | $ 262,379 | $ 108,317 | $ 1,284,154 |

| | 2017 | | | |
|---|---|---|---|---|
| | Share premium | Treasury share transactions | Employee restricted shares | Total |
| At January 1 | $ 845,002 | $ 215,269 | $ 46,567 | $ 1,106,838 |
| Employee restricted shares | - | - | 126,040 | 126,040 |
| Restricted employee options vested | 23,211 | - | ( 23,211) | - |
| Retirement of employee restricted shares | - | - | ( 2,264) | ( 2,264) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | - | 20,318 | - | 20,318 |
| At December 31 | $ 868,213 | $ 235,587 | $ 147,132 | $ 1,250,932 |

(20) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset deficit from prior years and then 10% of the remaining amount shall be set aside as legal reserve. A special reserve should be appropriated depending on the regulation or requirement.

B. As the Company is in the growing stage, the Company appropriates earnings based on the factors such as current and future investment environment, capital needs, domestic and overseas competition and capital budget, along with the consideration of shareholders' interest and capital adequacy. The earnings is appropriated with the abovementioned approach. In addition, dividend and bonus can be distributed in cash or shares. Where there is profit accrued in the current year, the distributed dividend and bonus is 10% to 80% of the unappropriated retained earnings, of which cash dividends must not be lower than 5% of total dividends and bonus.

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 2017 and 2016 had been resolved at the stockholders' meeting on May 29, 2018 and June 28, 2017, respectively. Details are summarized below:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount | Dividend per share (in dollars) | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 127,699 | $ - | $ 89,318 | $ - |
| Cash dividends | 808,494 | 1.65 | 606,969 | 1.25 |
| | $ 936,193 | $ 1.65 | $ 696,287 | $ 1.25 |

F. The appropriations of earnings for 2018 had been resolved at the Board of Directors meeting on February 27, 2019. Details are summarized below:

| | Year ended December 31, 2018 | |
|---|---|---|
| | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 154,854 | $ - |
| Cash dividends | 784,520 | 1.60 |
| Total | $ 939,374 | $ 1.60 |

(21) Operating revenue

| | Year ended December 31, 2018 |
|---|---|
| Service revenue | $ 8,419,252 |
| Other operating revenue | 24,552 |
| Total | $ 8,443,804 |

A. Disaggregation of revenue from contracts with customers

| 2018 | Ardentec Corporation | Ardentec Singapore Pte. Ltd. | Ardentec Korea Co., Ltd. | Ardentec Nanjing Co., Ltd. | Giga Solution Technology Co., Ltd. | Total |
|---|---|---|---|---|---|---|
| Total segment revenue | $ 6,473,474 | $ 704,710 | $ 207,436 | $ 25,990 | $ 1,144,909 | $ 8,556,519 |
| Inter-segment revenue | ( 22,451) | ( 78,648) | ( 7,149) | - | ( 4,467) | ( 112,715) |
| Revenue from external customer contracts | $ 6,451,023 | $ 626,062 | $ 200,287 | $ 25,990 | $ 1,140,442 | $ 8,443,804 |
| Revenue type | | | | | | |
| Wafer test | $ 5,786,437 | $ 626,062 | $ 200,287 | $ 25,990 | $ 435,125 | $ 7,073,901 |
| Finished product test | 640,034 | - | - | - | 705,317 | 1,345,351 |
| Other | 24,552 | - | - | - | - | 24,552 |
| | $ 6,451,023 | $ 626,062 | $ 200,287 | $ 25,990 | $ 1,140,442 | $ 8,443,804 |

B. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(22) Other income

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Interest income | | |
| Interest income from bank deposits | $ 27,303 | $ 27,324 |
| Other income | 493 | 602 |
| | 27,796 | 27,926 |
| Rental revenue | 12,283 | 25,457 |
| Miscellaneous income | 54,899 | 28,601 |
| Dividend income | 156 | 131 |
| | $ 95,134 | $ 82,115 |

(23) Other gains and losses

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Gain on disposal of property, plant and equipment | $ 186,651 | $ 30,890 |
| Net currency exchange loss | ( 17,117) | ( 70,753) |
| Net (loss) gain on financial assets at fair value through profit or loss | ( 4,262) | 1,522 |
| Net gain (loss) on financial liabilities at fair value through profit | 19,102 | ( 5,818) |
| Impairment loss on financial assets | - | ( 7,000) |
| Miscellaneous losses | ( 207) | ( 1,260) |
| | $ 184,167 | ($ 52,419) |

(24) Expenses by nature

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Employee benefit expense | $ 2,542,301 | $ 2,209,122 |
| Depreciation charges on property, plant and equipment | 2,193,467 | 2,274,243 |
| Amortization expense | 74,241 | 76,186 |
| | $ 4,810,009 | $ 4,559,551 |

(25) Employee benefit expense

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Wages and salaries | $ 2,123,737 | $ 1,876,837 |
| Share-based payments | 84,205 | 12,963 |
| Labour and health insurance fees | 148,494 | 138,654 |
| Pension costs | 89,500 | 92,416 |
| Other personnel expenses | 96,365 | 88,252 |
| | $ 2,542,301 | $ 2,209,122 |

A. According to the Articles of Incorporation of the Company, the distribution of earnings should first cover the accumulated deficit. If there is remaining earnings, 12% of which should be appropriated as employees' compensation and 3% of which as directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, the employees' compensation and directors' and supervisors' remuneration of the Company were estimated and accrued based on 12% and 3% of the distributable profit as of the end of each year. For the years ended December 31, 2018 and 2017, the employees' compensation was accrued at $276,864 and $214,891, respectively; while the directors' and supervisors' remuneration was accrued at $69,216 and $53,723, respectively. The aforementioned amounts were recognized in salary expenses.

C. For the years ended December, 2018 and 2017, the employees' compensation and directors' and supervisors' remuneration of Giga Solution were estimated and accrued based on 13.5% and 2% of the distributable profit as of the end of each year. For the years ended December 31, 2018 and 2017, the employees' compensation was accrued at $11,915 and $9,591, respectively; while the directors' and supervisors' remuneration was accrued at $1,765 and $1,421, respectively. The aforementioned amounts were recognized in salary expenses.

D. Employees' compensation and directors' and supervisors' remuneration for 2017 resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 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.

(26) Income tax

A. Income tax expense

(a) Components of income tax expense:

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | $ 394,499 | $ 242,403 |
| Tax on undistributed surplus earnings | 32,944 | 35,452 |
| Prior year income tax under estimation | 1,255 | 1,951 |
| Total current tax | 428,698 | 279,806 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 22,370 | ( 9,953) |
| Impact of change in tax rate | ( 18,376) | - |
| Total deferred tax | 3,994 | ( 9,953) |
| Income tax expense | $ 432,692 | $ 269,853 |

(b) The income tax (charge) / credit relating to components of other comprehensive income is as follows:

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Currency translation differences | ($ 2,216) | $ 2,024 |
| Remeasurement of defined benefit obligations | ( 1,573) | ( 2,300) |
| | ($ 3,789) | ($ 276) |

B. Reconciliation between income tax expense and accounting profit

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 406,792 | $ 264,265 |
| Effects from items disallowed by tax regulation | 16,905 | 11,107 |
| Effect of tax exempt income | ( 12,698) | ( 50,084) |
| Tax on undistributed surplus earnings | 32,944 | 35,452 |
| Prior year income tax under estimation | 1,255 | 1,951 |
| Impact of change in tax rate | ( 18,376) | - |
| Effect of original withholding tax | 5,870 | 7,162 |
| Income tax expense | $ 432,692 | $ 269,853 |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| | 2018 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealised long-term investments loss | $ 84,449 | ($ 4,212) | $ - | $ 80,237 |
| Unrealised exchange loss | 2,889 | ( 1,552) | - | 1,337 |
| Loss on valuation of financial liabilities | 3,793 | ( 3,793) | - | - |
| Unrealized pension | 7,574 | 2,416 | - | 9,990 |
| Unrealised gains on inter- affiliated accounts | 6,461 | 8,846 | - | 15,307 |
| Unrealised loss on doubtful debts | 691 | 122 | - | 813 |
| Others | 2,828 | ( 1,730) | - | 1,098 |
| Impairment loss recognised in profit or loss, fixed assets | 247 | ( 102) | - | 145 |
| Office supplies | 171 | 3 | - | 174 |
| Actuarial loss on defined benefit plan | 7,900 | - | 1,573 | 9,473 |
| -Loss carryforwards | - | 5,658 | - | 5,658 |
| | $ 117,003 | $ 5,656 | $ 1,573 | $ 124,232 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ($ 4,333) | $ 4,333 | $ - | $ - |
| Gain on valuation of financial assets | ( 639) | 555 | - | ( 84) |
| Currency translation differences | ( 11,807) | - | 2,216 | ( 9,591) |
| Fixed assets | ( 925) | ( 16,320) | - | ( 17,245) |
| Intangible assets | ( 17,421) | 1,643 | - | ( 15,778) |
| Others | ( 458) | 139 | - | ( 319) |
| | ($ 35,583) | ($ 9,650) | $ 2,216 | ($ 43,017) |
| | $ 81,420 | ($ 3,994) | $ 3,789 | $ 81,215 |

| | 2017 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| - Deferred tax assets: | | | | |
| Unrealised long-term investments loss | $ 92,024 | ($ 7,575) | $ - | $ 84,449 |
| Unrealised exchange loss | 11 | 2,878 | - | 2,889 |
| Loss on valuation of financial liabilities | 2,292 | 1,501 | - | 3,793 |
| Unrealized pension | 7,712 | ( 138) | - | 7,574 |
| Unrealised gains on inter- affiliated accounts | - | 6,461 | - | 6,461 |
| Unrealised loss on doubtful debts | 691 | - | - | 691 |
| Provision for decommissioning | 2,355 | 473 | - | 2,828 |
| Impairment loss recognised in profit or loss, fixed assets | 369 | ( 122) | - | 247 |
| Office supplies | 97 | 74 | - | 171 |
| Actuarial loss on defined benefit plan | 5,600 | - | 2,300 | 7,900 |
| | $ 111,151 | $ 3,552 | $ 2,300 | $ 117,003 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ($ 3,176) | ($ 1,157) | $ - | ($ 4,333) |
| Gain on valuation of financial assets | ( 735) | 96 | - | ( 639) |
| Currency translation differences | ( 9,783) | - | ( 2,024) | ( 11,807) |
| Fixed assets | ( 3,059) | 2,134 | - | ( 925) |
| Intangible assets | ( 22,767) | 5,346 | - | ( 17,421) |
| Others | ( 440) | ( 18) | - | ( 458) |
| | ($ 39,960) | $ 6,401 | ($ 2,024) | ($ 35,583) |
| | $ 71,191 | $ 9,953 | $ 276 | $ 81,420 |

D. Under the Regulations Governing the Incentives for Emerging Strategic Industries in the Manufacturing and Technical Service Sector, the Company is exempt from the corporate income tax for five years, beginning on March 18, 2013.

E. Under the Statute for Upgrading Industries, the Company's subsidiary Giga Solution is exempt from the corporate income tax for five years, and the exemption periods are as follows:

| Expansion | Exemption periods |
|---|---|
| Exemption for 1st expansion | From January 1, 2014 to December 31, 2018 |
| Exemption for 2nd expansion | From January 1, 2017 to December 31, 2021 |

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

G. 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 will be raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate..

(27) Earnings per share

| | Year ended December 31, 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 | $ 1,548,542 | 467,988 | $ 3.31 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | | 12,515 | |
| Employee restricted shares | | 3,032 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 1,548,542 | 483,535 | $ 3.20 |

| | Year ended December 31, 2017 | | |
|---|---|---|---|
| | 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 | $ 1,276,988 | 467,258 | $ 2.73 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | | 7,295 | |
| Employee restricted shares | | 1,978 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 1,276,988 | 476,531 | $ 2.68 |

(28) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

On August 30, 2017, the Group acquired an additional 36.16% of shares of its subsidiary—Giga Solution Technology Co., Ltd. for a total cash consideration of $1,046,342. The carrying amount of non-controlling interest in Giga Solution Technology Co., Ltd. was $770,968 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $770,968 and a decrease in the equity attributable to owners of the parent by $275,374. The effect of changes in interests in Giga Solution Technology Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2017 is shown below:

| | December 31, 2017 |
|---|---|
| Carrying amount of non-controlling interest acquired | $ 770,968 |
| Consideration paid to non-controlling interest | ( 1,046,342) |
| Retained earnings<br>- difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount | ($ 275,374) |

(29) Operating leases

The Group leases land, office and equipment under non-cancellable operating lease agreements. The lease terms are between 2015 and 2067 years. Partial leases are charged extra rents following the changes of local price indexes. The Group recognised rental expenses of $198,404 and $186,986 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Not later than one year | $ 200,361 | $ 187,756 |
| Later than one year but not later than five years | 659,713 | 649,919 |
| Later than five years | 201,674 | 191,867 |
| | $ 1,061,748 | $ 1,029,542 |

(30) Supplemental cash flow information

Investing activities with partial cash payments:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Purchase of property, plant and equipment | $ 4,021,361 | $ 2,626,036 |
| Add: Opening balance of payable on equipment (shown as “Other payables”) | 78,824 | 88,141 |
| Less: Ending balance of payable on equipment (shown as “Other payables”) | ( 306,784) | ( 78,824) |
| Add: Ending balance of prepayments for equipment (shown as “Other non-current assets”) | 11 | 25 |
| Less: Opening balance of prepayments for equipment (shown as “Other non-current assets”) | ( 25) | - |
| Cash paid during the year | $ 3,793,387 | $ 2,635,378 |

(31) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings (including current portion) | Guarantee deposits received | Long-term payables | Liabilities from financing activities-gross |
|---|---|---|---|---|---|
| At January 1, 2018 | $ 300,000 | $ 4,252,046 | $ 4,321 | $ - | $ 4,556,367 |
| Changes in cash flow from financing activities | 112,042 | 87,616 | ( 930) | 45,573 | 198,728 |
| Impact of changes in foreign exchange rate | ( 582) | 23,606 | 29 | ( 92) | 22,961 |
| At December 31, 2018 | $ 411,460 | $ 4,363,268 | $ 3,420 | $ 45,481 | $ 4,778,056 |

## 7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

| Names of related parties | Relationship with the Group |
|---|---|
| Etron Technology, Inc. and Subidiaries | The Company's chairman and the chairman of the company are within second degree of kinship. |
| MACRONIX INTERNATIONAL CO., LTD. | The company is a director of the Company. |
| Mega International Commercial Bank | The company is a supervisor of the Company (note). |
| Raytek Semiconductor, Inc. | Investments by the Company accounted for using the equity method |

Note：After the re-election held at the ordinary shareholders' meeting on June 28, 2017, Mega International Commercial Bank is no longer the Company's supervisor, and thus is no longer a related party to the Company. Transactions with Mega International Commercial Bank that occurred after the aforementioned date are not disclosed.

(2) Significant related party transactions

A. Operating revenue:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Sales of services provision: | | |
| Associates | $ 59 | $ - |
| Other related parties | 278,504 | 266,005 |
| | $ 278,563 | $ 266,005 |

(a) The price for the related parties is the same with regular clients.

(b) The term of credit for the related parties is around 60~75 days after testing completion or delivery whereas the term of credit for third parties is around 30~120 days after testing completion or delivery.

B. Receivables from related parties:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Accounts receivable: | | | | |
| Other related parties | $ | 76,735 | $ | 75,385 |
| Associates | | 5 | | - |
| Total | $ | 76,740 | $ | 75,385 |
| Other receivables: | | | | |
| Associates | $ | 646 | $ | 646 |

C. Payables to related parties:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Notes payable: | | | | |
| Other related party | $ | 600 | $ | 539 |
| Other payables: | | | | |
| Associates | $ | 32 | $ | - |
| Other related party | | 3,832 | | 3,833 |
| | $ | 3,864 | $ | 3,833 |

D. Loans from related parties :

Interest expense:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Other related party | $ | - | $ | 3,527 |

The loans from other related parties are repayable monthly in installment till August 6, 2020. For the year ended December 31, 2017, the interest rate were 1.550%~1.560% per annum.

E. Operating lease transactions

(a) For the years ended December 31, 2018 and 2017, the Group paid rent of $47,987 and $45,572 to other related parties for the leasing of offices and plants. The rents were paid monthly.

(b) For the years ended December 31, 2018 and 2017, the Group received rental income of $7,384 and $9,025 from the leasing of offices and plants to associates. The rents were collected monthly.

F. Other expenses

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Associates | $ | 97 | $ | - |
| Other related party | | 24,644 | | 24,100 |
| | $ | 24,741 | $ | 24,100 |

G. Property transactions:

| | Year ended December 31, 2018 | |
|---|---|---|
| | Disposal proceeds | Gain on disposal |
| Disposal of property, plant and equipment-associates | $ 215 | $ 215 |

(3) Key management compensation

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Salaries and other employee benefits | $ 183,136 | $ 154,062 |
| Post-employment benefits | 2,741 | 12,938 |
| Share-based payments | 27,964 | 4,441 |
| | $ 213,841 | $ 171,441 |

A. Salaries and other employee benefits include salaries, allowance, compensation, travelling expenses and remuneration for directors and supervisors. The amount of employees' compensation, remuneration for directors and supervisors, year-end bonuses are estimated whereas others are actually paid.

B Post-employment benefits represents pension.

C The share-based payments refers to the compensation cost of employee restricted shares.

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Pledged assets | December 31, 2018 | December 31, 2017 | Purpose |
| Time deposits (shown as "Financial assets at amortised cost" and"Other current assets") | $ 34,108 | $ 19,052 | Customs security deposit |
| Time deposits (shown as "Financial assets at amortised cost" and"Other current assets") | 13,500 | 13,361 | Short-term comprehensive ceiling amount |
| Time deposits (shown as "Financial assets at amortised cost" and"Other current assets") | 9,207 | 9,195 | Customs security deposit |
| Special reserve account for demand deposits | 25,966 | - | Special reserve account for long-term syndicated loan |

| Pledged assets | Book value<br>December 31, 2018 | <br>December 31, 2017 | Purpose |
|---|---|---|---|
| Land | 269,786 | 653,698 | Secondary collateral for long-term borrowings |
| Buildings and structures | 398,492 | 942,029 | Secondary collateral for long-term borrowings |
| Machinery and equipment | 112,626 | 2,224,581 | Collateral for long-term loans |

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Please refer to Note 6(29).

B. As of December 31, 2018 and 2017, the Group has unused letters of credit for the importation of machinery amounting to $191,320 and $108,664, respectively.

## 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 the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Group monitors capital on the basis of the debt to total assets ratio. This ratio is calculated as total loans divided by total assets. Total loans are calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) Total asset is as shown in the consolidated balance sheet.

During the year ended December 31, 2018, the Group's strategy, which was unchanged from 2017, was to maintain the debt to total assets ratio within 35%. The debt to total assets ratio at December 31, 2018 and 2017 were as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Total borrowings | $ 4,774,728 | $ 4,552,046 |
| Total assets | $ 17,663,420 | $ 16,276,452 |
| Debt to total assets ratio | 27% | 28% |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 4,674 | $ 5,844 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | 90,112 | - |
| Available-for-sale financial assets | - | 93,815 |
| Financial assets at amortised cost/Loans and receivables | | |
| Cash and cash equivalents | 1,843,707 | 3,229,348 |
| Financial assets at amortised cost | 1,388,648 | - |
| Investments in debt instruments without active market | - | 684,641 |
| Notes receivable | - | 159 |
| Accounts receivable | 1,759,881 | 1,674,659 |
| Other receivables | 123,175 | 40,580 |
| Guarantee deposits paid | 106,084 | 106,704 |
| Other financial assets | 25,967 | 41,608 |
| | $ 5,342,248 | $ 5,877,358 |

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | $ 4,614 | $ 23,716 |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | 411,460 | 300,000 |
| Notes payable | 1,410 | 1,350 |
| Other accounts payable | 1,322,312 | 1,155,501 |
| Long-term borrowings (including current portion) | 4,363,268 | 4,252,046 |
| Guarantee deposits received | – | 4,321 |
| | $ 6,103,064 | $ 5,736,934 |

B. Financial risk management policies

The Group identifies all the risks of the Group through monitoring of exchange rate, interest rate and credit management by the counterparties so that the management can effectively control and measure the market, credit and liquidity risks. The Group's objective in managing the market risk is to reach optimisation, maintain the proper liquidity and manage all market risks collectively by taking into account the economic environment, competitive edge and risk of market value.

To achieve the objective of risk management, the Group's hedging activity focus on risks of market value and cash flow. To decrease the risk of fair value affected by the fluctuation of exchange rate, the Group hedges exchange risk of assets or liabilities counted in foreign currencies by means of forward exchange transaction.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: NTD; other certain subsidiaries' functional currency: SGD , KRW and 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:

| | Year ended December 31, 2018 | | |
|---|---|---|---|
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 62,698 | 30.715 | $ 1,925,775 |
| JPY:NTD | 112,681 | 0.2782 | 31,348 |
| USD:SGD (Note ) | 12,510 | 1.3648 | 383,820 |
| USD:KRW (Note ) | 1,747 | 1,118 | 54,209 |
| USD:RMB(Note) | 1,279 | 6.8716 | 39,319 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 4,491 | 30.715 | $ 137,931 |
| JPY:NTD | 284,873 | 0.2782 | 79,252 |
| USD:SGD (Note ) | 1,592 | 1.3648 | 48,856 |
| USD:RMB (Note ) | 10,920 | 6.8716 | 335,582 |

| (Foreign currency: functional currency) | Year ended December 31, 2017 Foreign currency amount (In thousands) | | Exchange rate | Book value (NTD in thousands) | |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 62,371 | 29.760 | $ | 1,856,176 |
| JPY:NTD | | 56,652 | 0.2642 | | 14,968 |
| USD:SGD (Note ) | | 4,938 | 1.3366 | | 146,910 |
| USD:KRW (Note ) | | 2,194 | 1,071 | | 66,100 |
| JPY:KRW (Note ) | | 40,000 | 9.4911 | | 10,676 |
| USD:RMB (Note ) | | 1,809 | 6.5108 | | 53,769 |
| Financial liabilities | . | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | 12,805 | 29.760 | $ | 380,322 |
| JPY:NTD | | 156,551 | 0.2642 | | 41,361 |
| USD:RMB (Note ) | | 998 | 6.5108 | | 30,522 |

Note: The functional currencies of the consolidated entities, Ardentec Singapore Pte. Ltd, Ardentec Korea Co., Ltd., and Ardentec Nanjing Co., Ltd., are the SGD, the KRW, and the RMB, respectively.

ii. Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group.

| (Foreign currency: functional currency) | Year ended December 31, 2018 Unrealised exchange gain (loss) Foreign currency amount (In thousands) | | Exchange rate | Book value (NTD in thousands) | |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | - | 30.715 | ($ | 5,151) |
| JPY:NTD | | - | 0.2782 | | 567 |
| USD:SGD (Note ) | | 226 | 1.3648 | | 5,086 |
| USD:KRW (Note ) | ( | 7,506) | 1,118 | ( | 208) |
| USD:RMB (Note ) | | 268 | 6.8716 | | 1,201 |
| Financial liabilities | | | | | |
| Monetary items | | | | | |
| USD:NTD | $ | - | 30.715 | ($ | 1,051) |
| JPY:NTD | | - | 0.2782 | ( | 881) |
| USD:SGD (Note ) | | 12 | 1.3648 | | 263 |
| USD:RMB(Note ) | ( | 3,202) | 6.8716 | ( | 14,321) |

| (Foreign currency: functional currency) | Year ended December 31, 2017 | | |
| --- | --- | --- | --- |
| | Unrealised exchange gain (loss) | | |
| | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ - | 29.760 | ($ 17,370) |
| JPY:NTD | - | 0.2642 | ( 214) |
| USD:SGD (Note ) | ( 80) | 1.3366 | ( 1,787) |
| USD:KRW (Note ) | ( 52,747) | 1,071 | ( 1,483) |
| JPY:KRW (Note ) | ( 7,928) | 9.4911 | ( 223) |
| USD:RMB (Note ) | ( 109) | 6.5108 | ( 499) |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ - | 29.760 | $ 25,394 |
| JPY:NTD | - | 0.2642 | 1,144 |

Note: The functional currencies of the consolidated entities, Ardentec Singapore Pte. Ltd, Ardentec Korea Co., Ltd., and Ardentec Nanjing Co., Ltd., are the SGD, the KRW, and the RMB, respectively.

iii. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| (Foreign currency: functional currency) | Year ended December 31, 2018 | | |
| --- | --- | --- | --- |
| | Sensitivity analysis | | |
| | Degree of variation (Note 2) | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 19,258 | $ - |
| JPY:NTD | 1% | 313 | - |
| USD:SGD (Note 1) | 1% | 3,838 | - |
| USD:KRW (Note 1) | 1% | 542 | - |
| USD:RMB (Note 1) | 1% | 393 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 1,379) | $ - |
| JPY:NTD | 1% | ( 793) | - |
| USD:SGD | 1% | ( 489) | - |
| USD:RMB (Note 1) | 1% | ( 3,356) | - |

| (Foreign currency: functional currency) | Year ended December 31, 2017 | | |
| --- | --- | --- | --- |
| | Sensitivity analysis | | |
| | Degree of variation (Note 2) | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 18,562 | $ - |
| JPY:NTD | 1% | 150 | - |
| USD:SGD (Note 1) | 1% | 1,469 | - |
| USD:KRW (Note 1) | 1% | 661 | - |
| JPY:KRW (Note 1) | 1% | 107 | - |
| USD:RMB (Note 1) | 1% | 538 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 3,803) | $ - |
| JPY:NTD | 1% | ( 414) | - |
| USD:KRW (Note 1) | 1% | ( 305) | - |

Note 1: The functional currencies of the consolidated entities, Ardentec Singapore Pte. Ltd, Ardentec Korea Co., Ltd., and Ardentec Nanjing Co., Ltd., are the SGD, the KRW, and the RMB, respectively.

Note 2: The Company and domestic subsidiaries use NTD as functional currency. Some subsidiaries use SGD, and KRW and RMB as functional currencies, which primarily corresponds to USD. Given that exports by Asian countries is favorable with a depreciating USD, the sensitivity analysis mainly focus on the assessment of assets and liabilities valued in foreign currencies by assuming the effect of profit or loss caused by an appreciated USD by 1%.

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and available-for-sale financial assets. 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.

ii. The Group's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, post-tax profit for the years ended December 31, 2018 would have increased/decreased by $34, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity for the years ended December 31, 2018 and 2017 would have increased/decreased by $5 and $42, respectively, as a result of other comprehensive income classified as available-for-sale equity investment and equity investment at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

i. The Group’s borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

ii. If the borrowing interest rate of NTD dollars had increased/decreased by 0.25% or with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $7,524 and $8,269, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

Effective 2018

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, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group’s concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Group’s credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

iii. The default occurs when the contract payments transferred to overdue receivables because it may not be recovered.

iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

v. The Group classifies customers’ accounts receivable in accordance with customer types and the historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the Group recognised loss allowance amounting to $2,239.

vi. Credit risk information of 2017 is provided in Note 12(4).

(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. The Group has the following undrawn borrowing facilities:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ - | $ 2,070,000 |
| Expiring beyond one year | 4,800,000 | 1,940,000 |
| | $ 4,800,000 | $ 4,010,000 |

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:

| December 31, 2018 | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | $ 412,171 | $ - | $ - | $ - |
| Notes payable | 1,410 | - | - | - |
| Other payables | 1,322,312 | - | - | - |
| Long-term borrowings (including current portion) | 1,827,099 | 992,628 | 923,546 | 770,555 |
| Guarantee deposits received (shown as 'other non-current liabilities') | 3,420 | - | - | - |
| Derivative financial liabilities | | | | |
| Forward exchange contracts | 4,614 | - | - | - |

| December 31, 2017 | Less than 1 year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | $ 300,357 | $ - | $ - | $ - |
| Notes payable | 1,350 | - | - | - |
| Other payables | 1,155,501 | - | - | - |
| Long-term borrowings (including current portion) | 1,302,548 | 1,026,754 | 712,570 | 1,371,690 |
| Guarantee deposits received (shown as 'other non-current liabilities') | 4,321 | - | - | - |
| Derivative financial liabilities | | | | |
| Forward exchange contracts | 109 | - | - | - |
| Cross currency swap contracts | 23,607 | - | - | - |

(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. The fair value of the Group's investment in listed stocks is included in Level 1.

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 related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 is as follows:

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through other comprehensive income | $ 472 | $ - | $ 89,640 | $ 90,112 |
| Financial assets at fair value through profit or loss | 3,398 | 1,276 | - | 4,674 |
| Total | $ 3,870 | $ 1,276 | $ 89,640 | $ 94,786 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | $ - | $ 4,614 | $ - | $ 4,614 |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | $ - | $ 5,844 | $ - | $ 5,844 |
| Available-for-sale financial assets | 4,175 | - | 89,640 | 93,815 |
| Total | $ 4,175 | $ 5,844 | $ 89,640 | $ 99,659 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | $ - | $ 23,716 | $ - | $ 23,716 |

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

(a) The instruments the Group used market quoted prices as their fair values (that is, Level 1), and the listed stocks use the closing price.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance.

(c) When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Group adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. The forward exchange contracts are evaluated based on current forward exchange rate.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

E. For the years ended December 31, 2018 and 2017, there was no transfer into or out from Level 3.

F. Financial segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

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 at December 31, 2018 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 89,640 | Market comparable companies | Discount for lack of marketability | 40% | The higher the discount for lack of marketability, the lower the fair value |

| | Fair value at December 31, 2017 | Valuation technique | Significant unobservable input | Range (weighted average) | Relationship of inputs to fair value |
|---|---|---|---|---|---|
| Non-derivative equity instrument: | | | | | |
| Unlisted shares | $ 89,640 | Market comparable companies | Discount for lack of marketability | 40% | The higher the discount for lack of marketability, the lower 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 other comprehensive income from financial assets categorised within Level 3 if the inputs used to valuation models have changed:

| | | | December 31, 2018 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ± 10% | $ - | $ - | $ 8,964 | ($ 8,964) |

| | | | December 31, 2017 | | | |
|---|---|---|---|---|---|---|
| | | | Recognised in profit or loss | | Recognised in other comprehensive income | |
| | Input | Change | Favourable change | Unfavourable change | Favourable change | Unfavourable change |
| Financial assets | | | | | | |
| Equity instrument | Discount for lack of marketability | ± 10% | $ - | $ - | $ 8,964 | ($ 8,964) |

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

Information on significant accounting policies adopted in 2017 and policies adopted in 2018 in accordance with IFRS 9 is provided in Note 4.

B. Financial assets transfered

The reconciliations of carrying amount of financial assets transfered from December 31, 2017, under IAS 39, to January 1, 2018, under IFRS 9, were as follows:

| | Available-for-sale-equity | Measured at fair value through other comprehensive income-equity | Debt instrument without active market | Measured at amortised cost | Total | Effects: Retained earnings | Effects: Others equity |
|---|---|---|---|---|---|---|---|
| **IAS 39** | $ 93,815 | $ - | $ 684,641 | $ - | $ 778,456 | $ - | $ - |
| Transferred into and measured at fair value through other comprehensive income-equity | ( 93,815) | 93,815 | - | - | $ - | - | - |
| Transferred into and measured at amortised cost | - | - | ( 684,641) | 684,641 | - | - | - |
| **IFRS 9** | $ - | $ 93,815 | $ - | $ 684,641 | $ 778,456 | $ - | $ - |

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market, amounting to $684,641, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost".

(b) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets, amounting to $93,815, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)".

C. The description of the significant accounts

The significant accounts as of December 31, 2017 are as follows:

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

| Items | December 31, 2017 |
|---|---|
| Current items: | |
| Financial assets held for trading | |
| Derivative instruments | $ 5,844 |

i. The Group recognised net profit amounting to $41,220 on derivative financial assets for the year ended December 31, 2017.

ii.The derivative instruments transaction and contract information are as follows:

| Derivative instruments | December 31, 2017 Contract amount (notional principal) | | Contract period |
|---|---|---|---|
| Current items: | | | |
| Forward foreign exchange contracts | US$ | 19,191 | 2017.10.02~ 2018.03.05 |
| Foreign exchange swap contracts | US$ | 9,420 | 2017.04.11~ 2018.01.08 |

The Group entered into forward exchange and foreign exchange swap contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b)Available-for-sale financial assets

| Items | December 31, 2017 | |
|---|---|---|
| Current items: | | |
| Yuanta/P-shares Taiwan Top 50 ETF. | $ | 3,093 |
| CTBC Financial Holding Co., Ltd. | | 477 |
| Valuation adjustment | | 605 |
| | $ | 4,175 |
| Non-current items: | | |
| Great Team Backend Foundry, Inc. | $ | 89,640 |

i. The Group recognised $532 in other comprehensive income for fair value change for the year ended December 31, 2017.

ii.The counterparties of the Group’s investments in debt instruments have good credit quality.

(c) Financial assets at cost

| Items | December 31, 2017 | |
|---|---|---|
| Non-current items: | | |
| Gapertise Inc. | $ | 7,000 |
| Accumulated impairment | ( | 7,000) |
| Total | $ | - |

i. The subsidiary, Sheng Tang Investment Ltd., held stocks of Gapertise Inc. According to the subsidiary’s intention, its investment in Gapertise Inc. stocks should be classified as ‘available-for-sale financial assets’. However, as the stocks are not traded in active market, there is no sufficient industry information of companies similar to Gapertise Inc., and Gapertise Inc. financial information cannot be obtained, the fair value of the investment in Gapertise Inc. stocks cannot be measured reliably. Accordingly, the subsidiary classified those stocks as ‘financial assets measured at cost’.

ii. Due to the poor performance of Gapertise Inc., the Group assessed and recognized a loss of $7,000 on the investment in Gapertise Inc. for the year ended December 31, 2017.

iii. As of December 31, 2017, no financial assets measured at cost held by the Group were pledged to others.

(d)Investments in debt instruments without active markets

| Items | December 31, 2017 |
| --- | --- |
| Current items: | |
| Time deposits-maturing in over three months | $ 684,641 |

i. As of December 31, 2017, the effective interest rate of the Group's time deposits were 0.120%~1.258%.

ii. The Group did not pledge 'current investments in debt instruments without active market' disclosed on balance sheet as collateral. For details about 'current investments in debt instruments without active market' pledged as collateral (shown as "Other current assets"), please refer to Note 8.

D. Credit risk information for the year ended December 31, 2017 are as follows :

(a) 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. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(b) The credit quality information of financial assets that are neither past due nor impaired is as follows:

| | December 31, 2017 |
| --- | --- |
| Group 1 | $ 12,891 |
| Group 2 | 264,483 |
| Group 3 | 205,040 |
| Group 4 | 1,140,028 |
| | $ 1,622,442 |

Group 1：New customers (less than 1 year from the first transaction)

Group 2：Existing customers with share capital less than $1 billion.

Group 3：Existing customers with share capital of $1 billion~ $10 billion.

Group 4：Existing customers with share capital exceeding $10 billion.

(c) The ageing analysis of financial assets that were past due but not impaired is as follows:

| | December 31, 2017 |
|---|---|
| Up to 30 days | $ 38,669 |
| 31 to 90 days | 10,727 |
| 91 to 180 days | 2,821 |
| | $ 52,217 |

The above ageing analysis was based on past due date.

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. Summary of significant accounting policies adopted in 2017:

A description of the significant accounting policies adopted in 2017 and the detailed significant accounting policies applied on IFRS15 in 2018 is provided in Note 4.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

| | Year ended December 31, 2017 |
|---|---|
| Service revenue | $ 7,787,589 |
| Other operating revenue | 72,426 |
| | $ 7,860,015 |

C. The effects and description of current financial statements if the Group continues adopting previous accounting policies are as follows:

Customer services were rendered but not yet billed, which were previously presented as accounts receivable on the balance sheet, and are recognised as contract assets in accordance with IFRS 15 'Revenue from contracts with customers'. However, this difference would not significantly affect the Group's consolidated financial statements.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 3.

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: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 6(13).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

(1) General information

Management has determined the reportable operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions.

The Group’s Chief Operating Decision-Maker manages from the entity-oriented perspective.

The Group currently focuses on wafer testing business in each geographical area. Except for the parent company and the subsidiary, Giga Solution Technology Co., Ltd., the Group also focuses on the operations of Ardentec Singapore Pte. Ltd. Besides, the operations of Ardentec Korea Co., Ltd. and the operations of Ardentec Nanjing Co., Ltd. are now developing to be aligned with the future business strategy of major clients. Although its business scale has not reached the quantitative threshold for the reporting of operating segment as set out in IFRS 8, this entity is reported since it has great potential of growth and its contribution in profit is highly expected by the Group.

Except for Giga Solution Technology Co., Ltd., Ardentec Singapore Pte. Ltd., Ardentec Korea Co., Ltd. and Ardentec Nanjing Co., Ltd., other subsidiaries including Valucom Investment, Inc., Valutek, Inc. and Sheng Tang Investment Ltd. are merely generally investee companies. As their businesses are not included in the report submitted to the operating decision-makers, they are not included in the reported segment and their operation performance is disclosed collectively in the column “other operating segments”.

(2) Measurement of segment information

The operating segments adopt the same accounting policies with that described in Note 4. The Group’s Chief Operating Decision-Maker evaluates the performance of operating segments based on the financial statements prepared by them. The profit or loss accrued by the operating segments is measured with profit/loss before tax of continuing segment.

(3) Information about segment profit or loss, assets and liabilities

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

Year ended December 31, 2018

| | Ardentec Corp. | Ardentec Singapore Pte. Ltd. | Ardentec Korea Co., Ltd. | Ardentec Nanjing Co., Ltd. | Giga Solution Technology Co., Ltd. | All other segments | Adjustment and write off | Consolidated amount |
|---|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 6,451,023 | $ 626,062 | $ 200,287 | $ 25,990 | $ 1,140,442 | $ - | $ - | $ 8,443,804 |
| Segment revenue | $ 22,451 | $ 78,648 | $ 7,149 | $ - | $ 4,467 | $ - | ($ 112,715) | $ - |
| Segment income (loss) | $ 1,961,123 | $ 158,500 | $ 29,226 | ($ 70,342) | $ 41,576 | $ 31,174 | ($ 170,023) | $ 1,981,234 |
| Segment assets | $ 17,074,411 | $ 1,660,310 | $ 427,398 | $ 1,646,559 | $ 2,913,862 | $ 695,175 | ($ 6,754,295) | $ 17,663,420 |
| Segment liabilities | $ 6,071,711 | $ 137,557 | $ 16,084 | $ 415,397 | $ 263,419 | $ 255 | ($ 243,703) | $ 6,660,720 |

Year ended December 31, 2017

| | Ardentec Corp. | Ardentec Singapore Pte. Ltd. | Ardentec Korea Co., Ltd. | Giga Solution Technology Co., Ltd. | All other segments | Adjustment and write off | Consolidated amount |
|---|---|---|---|---|---|---|---|
| Revenue from external customers | $ 5,852,948 | $ 591,304 | $ 164,671 | $ 1,251,092 | $ - | $ - | $ 7,860,015 |
| Segment revenue | $ 42,160 | $ 75,353 | $ 14,890 | $ 13,327 | $ - | ($ 145,730) | $ - |
| Segment income (loss) | $ 1,522,147 | $ 105,177 | ($ 28,754) | $ 16,032 | ($ 12,114) | ($ 65,064) | $ 1,537,424 |
| Segment assets | $ 15,827,229 | $ 1,420,453 | $ 402,505 | $ 2,974,020 | $ 1,886,458 | ($ 6,234,213) | $ 16,276,452 |
| Segment liabilities | $ 5,649,490 | $ 67,313 | $ 15,500 | $ 236,081 | $ 198,817 | ($ 68,488) | $ 6,098,713 |

(4) Information on service

Please refer to Note 6(21).

(5) Geographical information

Geographical information for the years ended December 31, 2018 and 2017 is as follows:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | Revenue | Non-current assets | Revenue | Non-current assets |
| America | $ 3,438,561 | $ - | $ 3,316,014 | $ - |
| Taiwan | 1,546,359 | 8,945,622 | 1,461,895 | 7,818,199 |
| Singapore | 650,689 | 542,896 | 767,241 | 580,816 |
| Korea | - | 270,203 | - | 235,274 |
| China | 182,150 | 1,304,025 | 237,659 | 551,798 |
| Others | 2,626,045 | - | 2,077,206 | - |
| Total | $ 8,443,804 | $ 11,062,746 | $ 7,860,015 | $ 9,186,087 |

(6) Major customer information

Major customer information of the Group for the years ended December 31, 2018 and 2017 is as follows:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | Revenue | Segment | Revenue | Segment |
| A | $ 1,181,490 | Entire company | $ 1,198,082 | Entire company |

Ardentec Corp. and subsidiaries

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. (Note1) | Credior | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2018 | Balance at December 31, 2018 | Actual amount drawn down | Interest rate | Nature of loan (Note 2) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral Item | Collateral Value | Limit on loans granted to a single party (Note 3) | Ceiling on total loans granted (Note 3) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Ardentec Singapore Pte. Ltd. | Ardentec Nanjing Co., Ltd. | Receivables-Related Party | Yes | $ 307,150 | $ 307,150 | $ 184,290 | 2.50% | 2 | $ - | Operational turnover | $ - | - | $ - | $ 550,135 | $ 1,522,753 | |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The company is "0".

(2)The subsidiaries are numbered in order starting from "1".

Note 2: Relationship with the borrower is classfied into the following categories:

(1)The borrower having business relationship is numbered as "1".

(2)The borrower having the needs of short-term financing is numbered as "2".

Note 3: For Ardentec Singapore Pte. Ltd.’s short-term financing, the individual limit amount should not be in excess of 5% of the parent company’s net assets and the accumulated financing activities to those borrowers should not be in excess of 20% of the parent company’s net assets.Ceiling on individual loans granted to all direct or indirect wholly-owned overseas subsidiaries of the parent company is 100% of the Ardentec Singapore Pte. Ltd.’s net assets.

Ardentec Corp. and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities（Note 1） | Relationship with the securities issuer （Note 2） | General ledger account | As of December 31, 2018 Number of shares | Book value （Note 3） | Ownership (%) | Fair value | Footnote （Note 4） |
|---|---|---|---|---|---|---|---|---|
| Ardentec Corp. | Yuanta/P-shares Taiwan Top 50 ETF. | None | Financial assets at fair value through profit or loss - current | 45,000 | 3,398 | 0.0048% | 3,398 | None |
| Ardentec Corp. | CTBC Financial Holding Co., Ltd.stock | None | Current financial assets at fair value through other comprehensive income | 23,349 | 472 | 0.0001% | 472 | None |
| Sheng Tang Investment Ltd. | Ardentec Corp. stock | Parent company | Non-current financial assets at fair value through other comprehensive income | 278,342 | 7,237 | 0.06% | 7,237 | Note 5 |
| Sheng Tang Investment Ltd. | Gapertise Inc.stock | None | Financial assets at fair value through profit or loss - non-current | 350,000 | - | 5.09% | - | None |
| Valutek, Inc. | Ardentec Corp. stock | Parent company | Non-current financial assets at fair value through other comprehensive income | 15,972,408 | 415,283 | 3.26% | 415,283 | Note 5 |
| Valutek, Inc. | Great Team backend Foundry, Inc. stock | None | Non-current financial assets at fair value through other comprehensive income | 6,000,000 | 89,640 | 6.57% | 89,640 | None |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, in accordance with IFRS39.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5:It is recognised as treasury shares of Ardentec Corp..

Ardentec Corp. and subsidiaries

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at January 1, 2018 | | Addition | | Disposal | | | | Balance as at December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount (Note 2) |
| Ardentec Corp. | Valucom Investment, Inc. | Investments accounted for using equity method | (Note 1) | Subsidiary | 28,076 | $ 833,464 | 17,000 | $ 502,085 | - | $ - | $ - | $ - | 45,076 | $ 1,218,398 |
| Valucom Investment, Inc. | ValuTest Incorporated | Investments accounted for using equity method | (Note 1) | Subsidiary | 28,000 | 832,381 | 17,000 | 502,085 | - | - | - | - | 45,000 | 1,217,342 |
| ValuTest Incorporated | Ardentec Nanjing Co., Ltd. | Investments accounted for using equity method | (Note 1) | Subsidiary | - | 832,381 | - | 502,085 | - | - | - | - | - | 1,217,342 |

(Note 1) Capital increase by cash

(Note 2) Investments accounted for using equity method was included the gain (loss) of investments accounted for using equity method and financial statements translation of foreign operations.

Ardentec Corp. and subsidiaries

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Ardentec Corp. | MACRONIX INTERNATIONAL CO., LTD | The director of the Company | Sales | $ 275,173 | 4.25% | 75 days | N/A | N/A | $ 76,178 | 5.42% | |

Ardentec Corp. and subsidiaries

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | | Transaction | | | |
|---|---|---|---|---|---|---|---|
| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | General ledger account | Amount | Transaction terms | Percentage of consolidated total operating revenues or total assets (Note 3) |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Production equipment | $ 14,820 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Other operating revenue | 7,794 | According to regular transactional term | 0.09% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Rent expense | 7,149 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Accounts receivable | 1,298 | According to regular transactional term | 0.01% |
| 0 | Ardentec Corp. | Ardentec Nanjing Co., Ltd. | 1 | Other receivable | 13,515 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Production equipment | 8,155 | According to regular transactional term | 0.05% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other receivable | 5,867 | According to regular transactional term | 0.03% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other accounts receivable | 36,858 | According to regular transactional term | 0.21% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other operating revenue | 13,100 | According to regular transactional term | 0.16% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Rent expense | 76,148 | According to regular transactional term | 0.90% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Gain on disposal of fixed assets | 11,531 | According to regular transactional term | 0.14% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Loss on disposal of fixed assets | 3,482 | According to regular transactional term | 0.04% |
| 0 | Ardentec Corp. | Valutek, Inc. | 1 | Directors' and supervisors' remuneration | 1,702 | According to regular transactional term | 0.02% |
| 0 | Ardentec Corp. | Giga Solution Technology Co., Ltd. | 1 | Miscellaneous income | 1,139 | According to regular transactional term | 0.01% |
| 0 | Ardentec Corp. | Giga Solution Technology Co., Ltd. | 1 | Processing fees | 3,162 | According to regular transactional term | 0.04% |
| 0 | Ardentec Corp. | Shang Tang Investment Ltd. | 1 | Directors' and supervisors' remuneration | 3,322 | According to regular transactional term | 0.04% |
| 1 | Ardentec Singapore Pte.Ltd. | Ardentec Korea Co., Ltd. | 3 | Other operating revenue | 2,500 | According to regular transactional term | 0.03% |
| 3 | Ardentec Singapore Pte.Ltd. | Ardentec Nanjing Co., Ltd. | 3 | Interest income | 3,719 | According to regular transactional term | 0.04% |
| 3 | Ardentec Singapore Pte.Ltd. | Ardentec Nanjing Co., Ltd. | 3 | Other accounts receivable | 184,290 | According to regular transactional term | 1.04% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Only expose the amount of more than one million transactions.

Ardentec Corp. and subsidiaries

Information on investees(Does not include Mainland China invested companies)

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee（Notes 1 and 2） | Location | Main business activities | Initial investment amount: Balance as at December 31, 2018 | Initial investment amount: Balance as at December 31, 2017 | Shares held and book value as at December 31, 2018: Number of shares | Shares held and book value as at December 31, 2018: Ownership (%) | Shares held and book value as at December 31, 2018: Book value | Net profit (loss) of the investee for the year ended December 31, 2018（Note 2(2)） | Investment income (loss) recognised by the Company for the year ended December 31, 2018（Note 2(3)） | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ardentec Corp. | Sheng Tang Investment Ltd. | Taiwan | General Investment | $ 40,000 | $ 40,000 | - | 100 | $ 32,435 | $ 1,070 | $ 611 | Subsidiary |
| Ardentec Corp. | Valutek, Inc. | British Virgin Islands | General Investment | 149,558 | 149,558 | 4,870 | 100 | 238,910 | 23,964 | ( 2,369) | Subsidiary |
| Ardentec Corp. | Valucom Investment, Inc. | British Virgin Islands | General Investment | 1,381,850 | 879,765 | 45,076 | 100 | 1,218,398 | ( 70,402) | ( 70,402) | Subsidiary |
| Ardentec Corp. | Ardentec Singapore Pte.Ltd. | Singapore | Provider of test and assembly services | 1,136,040 | 1,136,040 | 52,500,000 | 100 | 1,443,852 | 155,615 | 153,251 | Subsidiary |
| Ardentec Corp. | Ardentec Korea Co., Ltd. | South Korea | Electronic integrated circuits, diodes, transistors and similar semiconductor devices/Semiconductor and integrated circuit devices testing and | 941,664 | 941,664 | 7,016,000 | 100 | 397,181 | 29,226 | 15,093 | Subsidiary |
| Ardentec Corp. | Raytek Semiconductor, Inc. | Taiwan | Packaging of wafers and integrated circuits | 348,000 | 348,000 | 29,000,000 | 31.3 | 231,349 | ( 201,155) | ( 62,954) | Associate |
| Ardentec Corp. | Giga Solution Technology Co., Ltd. | Taiwan | Testing of integrated circuits, modules and components | 2,892,821 | 2,892,821 | 120,580,539 | 100 | 2,650,443 | 60,188 | 30,550 | Subsidiary |
| Sheng Tang Investment Ltd. | Ardentec Semicomductor.,Ltd. | Taiwan | Manufacturing of electronic components | 20,000 | 20,000 | - | 100 | 18,666 | ( 35) | - | Indirect subsidiary |
| Valucom Investment, Inc. | ValuTest Incorporated | British Virgin Islands | General Investment | 1,356,605 | 854,520 | 45,000 | 100 | 1,217,342 | ( 70,375) | - | Indirect subsidiary |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of ‘Investee’, ‘Location’, ‘Main business activities’, Initial investment amount’ and ‘Shares held and book value as at December 31, 2018’ should fill orderly in the Company’s information on investees and every directly or indirectly controlled investee’s investment information, and note the relationship between the Company and its investee each (ex. direct subsidiary or indirect subsidiary) in the ‘footnote’ column.

(2) The ‘Net profit (loss) of the investee for the year ended Deecember 31, 2018’ column should fill in amount of net profit (loss) of the investee for this year.

(3) The ‘Investment income (loss) recognised by the Company for the year ended December 31, 2018’ column should fill in the Company recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognised investment income (loss) of its direct subsidiary, the Company should confirm that direct subsidiary’s net profit (loss) for this year has included its investment income (loss) which shall be recognised by regulations.

Ardentec Corp. and subsidiaries

Information on investments in Mainland China

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital (Note 3) | Investment method (Note 1) | Accumulated amount remitted from Taiwan to Mainland China as of January 1, 2018 | Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2018 | | Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2018 | Net income of investee for the year ended December 31, 2018 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2) | Book value of investments in Mainland China as of December 31, 2018 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Great Team Backend Foundry (DonGuan), Ltd. | Manufacturing and sales of new electronic components | $ 2,648,669 | 3 | $ 89,640 | $ - | $ - | $ 89,640 | $ 29,509 | 6.57% | N/A | $ 89,640 | $ - | Note 4 |
| Ardentec Nanjing Co., Ltd. | Semiconductor testing, research, and development | 1,356,605 | 2 | 854,520 | 502,085 | - | 1,356,605 | ( 70,342) | 100% | ( 70,342) | 1,217,342 | - | Note 5 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this year.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. Financial statements that are audited by an international accounting firm that has a partnership with an accounting firm in the Republic of China.

B. Financial statements that are audited or reviewed by the auditor of the parent company in Taiwan.

C. Financial statements that are not reviewed by the independent accountants.

Note 3: The ending balances of paid-in capital of the investees, Great Team Backend Foundry (DonGuan) Ltd. and Ardentec Nanjing Co., Ltd., in the original currency are US$83,686 thousand and US$28,000 thousand, respectively.

Note 4:Ardentec Corp. increased investment in Valutek, Inc. by US$1,200 thousand in cash, and Valutek, Inc. reinvested with US$3,000 thousand.

Note 5: Ardentec Corporation increased the capital of subsidiary, Valucom Investment, Inc., by US$28,000 thousand; Valucom Investment, Inc., then invested the same amount in ValuTest Incorporated, which invested the same amount in Ardentec Nanjing Co., Ltd..

Note 6: The numbers in this table are expressed in New Taiwan Dollars.

Note 7:At the end of this period, the investment amount transmitted from Taiwan to mainland China was US$31,000 thousand counted with original currency. The investment amount permitted by the Investment Commission of Ministry of Economic Affairs(MOEA) , was US$48,000 thousand counted with original currency.

Note 8: In accordance with "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", Ardentec Corp. obtained an operational headquarter certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, and Ardentec Corp.'s investments in Mainland China are not limited based on Jing-Shou-Gong-Zi Letter. No. 106020407320 of MOEA.

| Company name | Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2018 | Investment amount approved by the Investment Commission of the Ministry of MOEA | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Ardentec Corp. | $ 1,446,245 | $ 1,540,890 | Note 8 |

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V. Individual CPA-certified financial statements for the most recent year

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of Ardentec Corporation

## *Opinion*

We have audited the accompanying balance sheets of Ardentec Corporation as at December 31, 2018 and 2017, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other independent accountants, as described in the *Other matter – Reference to audits of other independent accountants*, section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Ardentec Corp. as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

## *Basis for opinion*

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China ("ROC GAAS"). Our responsibilities under those standards are further described in the *Independent accountant's responsibilities for the audit of the Parent Company Only financial statements* section of our report. We are independent of the Company in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. Based on our audits and the reports of other independent accountants, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Key audit matters*

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

The most significant key audit matters in our audit of the financial statements of the current period are as follows:

**Revenue recognition**

Description

The Company's operating revenue arise mainly from IC testing services. Please refer to Note 4(29) for accounting policies on revenue recognition, and Note 6(19) for details of operating revenue.

Given the significance of service revenue to the financial statements, it was identified as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Interviewed with management in order to obtain an understanding of and assess the accounting policies on revenue recognition, and tested the design and the operating effectiveness of internal controls in relating to revenue recognition.
2. Selected samples to perform test of detailed transactions, including review of performance obligation of transaction orders and respective prices and of supporting documents for providing service in order to ensure the existence and accuracy of transactions.
3. Examined and verified the assessment procedures and related supporting documents in relation to the stage of completion of performance obligation at the balance sheet date to ensure the reasonableness and timing of revenue recognition.

**Additions to property, plant and equipment**

Description

The Company increased the capital expenditure along with its operational growth. Please refer to Note 4 (15) for accounting policies on property, plant and equipment, and Note 6(7) for details of property, plant and equipment. Considering additions to property, plant and equipment is siginificant to the Company's financial statements, thus, we determined additions to property, plant and equipment a key audit matter.

How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

1. Assessed and tested the effectiveness of the internal control system on additions to property, plant and equipment and provision timing of depreciation, and verified respective purchase orders and invoices to ensure that transactions were approved accordingly and recognised amounts were correct. Examined the acceptance reports to validate whether the timing that assets are ready for use and are recorded in property listing is appropriate and confirm that depreciation are provided correctly.

2. Obtained an understanding of the reasons that unfinished construction and equipment under acceptance are not ready for use, and ensure the aforementioned status are reasonable through verifying related supporting documents.

3 . Sampled and conducted physical inspection of certain assets to confirm that the purchased items exist.

### *Other matter – Reference to audits of other independent accountants*

We did not audit the financial statements of certain investments accounted for using equity method. The balance of these investments accounted for using equity method amounted to NT$2,649,936 thousand, constituting 16.74% of total assets as of December 31, 2017, and comprehensive income was NT$6,675 thousand, constituting 0.52% of total comprehensive income for the year then ended. Those financial statements were audited by other independent accountants whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent accountants.

### *Responsibilities of management and those charged with governance for the parent Company only financial statements*

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

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

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

***Independent accountant's responsibilities for the audit of the Parent Company Only financial statements***

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

As part of an audit in accordance with ROC GAAS, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Obtain an understanding of internals control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
2. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
3. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

| | |
|---|---|
| Wen, Fang-Yu | Lin, Yu-Kuan |

For and on behalf of PricewaterhouseCoopers, Taiwan

February 27, 2019

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The accompanying parent company only 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 parent company only 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.

ARDENTEC CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Assets | Notes | December 31, 2018 AMOUNT | % | December 31, 2017 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current assets** | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 1,039,975 | 6 | $ 1,393,066 | 9 |
| 1110 | Financial assets at fair value through profit or loss - current | 6(2) | 3,510 | - | 3,753 | - |
| 1120 | Current financial assets at fair value through other comprehensive income | 6(3) | 472 | - | - | - |
| 1125 | Available-for-sale financial assets - current | 12(4) | - | - | 4,175 | - |
| 1136 | Current financial assets at amortised cost | 6(4) | 539,935 | 3 | - | - |
| 1147 | Investments in debt instruments without active market | 12(4) | - | - | 371,227 | 2 |
| 1150 | Notes receivable, net | | - | - | 159 | - |
| 1170 | Accounts receivable, net | 6(5) | 1,328,200 | 8 | 1,292,818 | 8 |
| 1180 | Accounts receivable - related parties | 6(5) and 7(2) | 78,270 | - | 77,780 | 1 |
| 1200 | Other receivables | 7(2) | 141,100 | 1 | 35,383 | - |
| 1410 | Prepayments | | 89,089 | 1 | 63,893 | 1 |
| 1470 | Other current assets | 8 | - | - | 19,052 | - |
| 11XX | **Total current assets** | | 3,220,551 | 19 | 3,261,306 | 21 |
| | **Non-current assets** | | | | | |
| 1550 | Investments accounted for using equity method | 6(6) | 6,212,568 | 36 | 5,722,219 | 36 |
| 1600 | Property, plant and equipment, net | 6(7) and 8 | 7,456,535 | 44 | 6,700,816 | 42 |
| 1780 | Intangible assets, net | 6(8) | 25,691 | - | 12,962 | - |
| 1840 | Deferred income tax assets | 6(24) | 118,255 | 1 | 114,682 | 1 |
| 1900 | Other non-current assets | 6(9) | 40,811 | - | 15,244 | - |
| 15XX | **Total non-current assets** | | 13,853,860 | 81 | 12,565,923 | 79 |
| 1XXX | **Total assets** | | $ 17,074,411 | 100 | $ 15,827,229 | 100 |

(Continued)

ARDENTEC CORP.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Liabilities and Equity | Notes | December 31, 2018 AMOUNT | % | December 31, 2017 AMOUNT | % |
|---|---|---|---|---|---|---|
| | **Current liabilities** | | | | | |
| 2100 | Short-term borrowings | 6(10) | $ 350,000 | 2 | $ 300,000 | 2 |
| 2120 | Financial liabilities at fair value through profit or loss - current | 6(12) | - | - | 23,607 | - |
| 2150 | Notes payable | | 810 | - | 810 | - |
| 2200 | Other payables | 6(11) and 7(2) | 925,296 | 6 | 774,489 | 5 |
| 2230 | Current income tax liabilities | 6(24) | 303,663 | 2 | 169,207 | 1 |
| 2320 | Long-term liabilities, current portion | 6(13) | 1,764,964 | 10 | 1,244,400 | 8 |
| 2399 | Other current liabilities, others | | 8,873 | - | 8,059 | - |
| 21XX | **Total current liabilities** | | 3,353,606 | 20 | 2,520,572 | 16 |
| | **Non-current liabilities** | | | | | |
| 2540 | Long-term borrowings | 6(13), 7(2) and 8 | 2,598,304 | 15 | 3,007,646 | 19 |
| 2550 | Provisions for liabilities - non-current | | 13,500 | - | 13,500 | - |
| 2570 | Deferred income tax liabilities | 6(24) | 9,675 | - | 16,779 | - |
| 2600 | Other non-current liabilities | 6(14) | 96,626 | 1 | 90,993 | 1 |
| 25XX | **Total non-current liabilities** | | 2,718,105 | 16 | 3,128,918 | 20 |
| 2XXX | **Total Liabilities** | | 6,071,711 | 36 | 5,649,490 | 36 |
| | **Equity** | | | | | |
| | **Share capital** | 6(16) | | | | |
| 3110 | Share capital - common stock | | 4,903,252 | 29 | 4,900,361 | 31 |
| | **Capital surplus** | 6(17) | | | | |
| 3200 | Capital surplus | | 1,284,154 | 8 | 1,250,932 | 8 |
| | **Retained earnings** | 6(18) | | | | |
| 3310 | Legal reserve | | 1,346,856 | 8 | 1,219,157 | 8 |
| 3350 | Unappropriated retained earnings | | 3,652,966 | 21 | 3,046,808 | 19 |
| | **Other equity interest** | | | | | |
| 3400 | Other equity interest | | ( 57,756) | ( 1) | ( 112,747) | ( 1) |
| 3500 | **Treasury stocks** | 6(16) | ( 126,772) | ( 1) | ( 126,772) | ( 1) |
| 3XXX | **Total equity** | | 11,002,700 | 64 | 10,177,739 | 64 |
| 3X2X | **Total liabilities and equity** | | $ 17,074,411 | 100 | $ 15,827,229 | 100 |

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORP.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars, except earnings per share)

| | Items | Notes | 2018 AMOUNT | 2018 % | 2017 AMOUNT | 2017 % |
|---|---|---|---|---|---|---|
| 4000 | **Operating revenue** | 6(19) and 7(2) | $ 6,473,474 | 100 | $ 5,895,108 | 100 |
| 5000 | **Operating costs** | 6(22)(23) | ( 4,016,039) | ( 62) | ( 3,804,132) | ( 64) |
| 5900 | **Gross profit from operations** | | 2,457,435 | 38 | 2,090,976 | 36 |
| | **Operating expenses** | 6(22)(23) and 7(2) | | | | |
| 6100 | Selling expenses | | ( 27,676) | - | ( 25,270) | - |
| 6200 | General and administrative expenses | | ( 398,214) | ( 6) | ( 327,771) | ( 6) |
| 6300 | Research and development expenses | | ( 224,774) | ( 4) | ( 158,233) | ( 3) |
| 6000 | **Total operating expenses** | | ( 650,664) | ( 10) | ( 511,274) | ( 9) |
| 6900 | **Operating profit** | | 1,806,771 | 28 | 1,579,702 | 27 |
| | **Non-operating income and expenses** | | | | | |
| 7010 | Other income | 6(20) and 7(2) | 25,794 | - | 43,214 | 1 |
| 7020 | Other gains and losses | 6(21) and 7(2) | 137,282 | 2 | ( 35,262) | ( 1) |
| 7050 | Finance costs | 7(2) | ( 72,504) | ( 1) | ( 64,433) | ( 1) |
| 7070 | Share of profit(loss) of associates and joint ventures accounted for using equity method | 6(6) | 63,780 | 1 | ( 1,074) | - |
| 7000 | **Total non-operating income and expenses** | | 154,352 | 2 | ( 57,555) | ( 1) |
| 7900 | **Profit before income tax** | | 1,961,123 | 30 | 1,522,147 | 26 |
| 7950 | Income tax expense | 6(24) | ( 412,581) | ( 6) | ( 245,159) | ( 4) |
| 8200 | **Profit for the year** | | $ 1,548,542 | 24 | $ 1,276,988 | 22 |
| | **Components of other comprehensive income that will not be reclassified to profit or loss** | | | | | |
| 8311 | Other comprehensive income, before tax, actuarial loss on defined benefit plans | 6(14) | ($ 7,867) | - | ($ 13,531) | - |
| 8316 | Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | 6(3) | ( 610) | - | - | - |
| 8330 | Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | 6(6) | 103 | - | ( 346) | - |
| 8349 | Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | 6(24) | 1,573 | - | 2,300 | - |
| | **Components of other comprehensive income that will be reclassified to profit or loss** | | | | | |
| 8361 | Financial statements translation differences of foreign operations | 6(6) | ( 21,499) | - | 11,908 | - |
| 8362 | Unrealized loss on valuation of available-for-sale financial assets | 12(4) | - | - | 532 | - |
| 8399 | Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss | 6(24) | 2,216 | - | ( 2,024) | - |
| 8300 | **Total other comprehensive loss for the year** | | ($ 26,084) | - | ($ 1,161) | - |
| 8500 | **Total comprehensive income for the year** | | $ 1,522,458 | 24 | $ 1,275,827 | 22 |
| 9750 | **Basic earnings per share** | 6(25) | $ | 3.31 | $ | 2.73 |
| 9850 | **Diluted earnings per share** | 6(25) | $ | 3.20 | $ | 2.68 |

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORP.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | | | Capital surplus | | | Retained earnings | | Other equity interest | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Notes | Share capital - common stock | Issued at a premium | Treasury stock transactions | Employee restricted shares | Legal 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 | Unrealized gain or loss on available-for-sale financial assets | Other equity - others | Treasury stocks | Total equity |
| For the year ended December 31, 2017 | | | | | | | | | | | | | |
| Balance at January 1, 2017 | | $ 4,855,753 | $ 845,002 | $ 215,269 | $ 46,567 | $ 1,129,839 | $ 2,753,058 | $ 47,766 | $ - | $ 73 | ($ 15,581) | ($ 126,772) | $ 9,750,974 |
| Profit for the year | | - | - | - | - | - | 1,276,988 | - | - | - | - | - | 1,276,988 |
| Other comprehensive loss for the year | | - | - | - | - | - | ( 11,577) | 9,884 | - | 532 | - | - | ( 1,161) |
| Total comprehensive income | | - | - | - | - | - | 1,265,411 | 9,884 | - | 532 | - | - | 1,275,827 |
| Distribution of 2016 earnings | 6(18) | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 89,318 | ( 89,318) | - | - | - | - | - | - |
| Cash dividends of ordinary share | | - | - | - | - | - | ( 606,969) | - | - | - | - | - | ( 606,969) |
| Restricted employee options issued | 6(15)(16) | 46,000 | - | - | 126,040 | - | - | - | - | - | ( 172,040) | - | - |
| Compensation cost of employee restricted shares | 6(15) | - | - | - | - | - | - | - | - | - | 12,963 | - | 12,963 |
| Retirement of employee restricted shares | 6(15)(16) | ( 1,392) | - | - | ( 2,264) | - | - | - | - | - | 3,656 | - | - |
| Restricted employee options vested | 6(15) | - | 23,211 | - | ( 23,211) | - | - | - | - | - | - | - | - |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | | - | - | 20,318 | - | - | - | - | - | - | - | - | 20,318 |
| Differences between consideration and carrying amount of subsidiaries acquired | 6(6) | - | - | - | - | - | ( 275,374) | - | - | - | - | - | ( 275,374) |
| Balance at December 31, 2017 | | $ 4,900,361 | $ 868,213 | $ 235,587 | $ 147,132 | $ 1,219,157 | $ 3,046,808 | $ 57,650 | $ - | $ 605 | ($ 171,002) | ($ 126,772) | $ 10,177,739 |
| For the year ended December 31, 2018 | | | | | | | | | | | | | |
| Balance at January 1, 2018 | | $ 4,900,361 | $ 868,213 | $ 235,587 | $ 147,132 | $ 1,219,157 | $ 3,046,808 | $ 57,650 | $ - | $ 605 | ($ 171,002) | ($ 126,772) | $ 10,177,739 |
| Effects of applying new standards | | - | - | - | - | - | - | - | 605 | ( 605) | - | - | - |
| Balance at January 1,2018 after adjustments | | 4,900,361 | 868,213 | 235,587 | 147,132 | 1,219,157 | 3,046,808 | 57,650 | 605 | - | ( 171,002) | ( 126,772) | 10,177,739 |
| Profit for the year | | - | - | - | - | - | 1,548,542 | - | - | - | - | - | 1,548,542 |
| Other comprehensive loss for the year | | - | - | - | - | - | ( 6,191) | ( 19,283) | ( 610) | - | - | - | ( 26,084) |
| Total comprehensive income | | - | - | - | - | - | 1,542,351 | ( 19,283) | ( 610) | - | - | - | 1,522,458 |
| Distribution of 2017 earnings | 6(18) | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | 127,699 | ( 127,699) | - | - | - | - | - | - |
| Cash dividends of ordinary share | | - | - | - | - | - | ( 808,494) | - | - | - | - | - | ( 808,494) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | | - | - | 26,792 | - | - | - | - | - | - | - | - | 26,792 |
| Restricted employee options issued | 6(15)(16) | 4,000 | - | - | 9,020 | - | - | - | - | - | ( 13,020) | - | - |
| Compensation cost of employee restricted shares | 6(15) | - | - | - | - | - | - | - | - | - | 84,205 | - | 84,205 |
| Retirement of employee restricted shares | 6(15)(16) | ( 1,109) | - | - | ( 2,590) | - | - | - | - | - | 3,699 | - | - |
| Restricted employee options vested | 6(15) | - | 45,245 | - | ( 45,245) | - | - | - | - | - | - | - | - |
| Balance at December 31, 2018 | | $ 4,903,252 | $ 913,458 | $ 262,379 | $ 108,317 | $ 1,346,856 | $ 3,652,966 | $ 38,367 | ($ 5) | $ - | ($ 96,118) | ($ 126,772) | $ 11,002,700 |

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2018 | 2017 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | $ 1,961,123 | $ 1,522,147 |
| Adjustments | | | |
| Adjustments to reconcile profit (loss) | | | |
| Depreciation | 6(7)(22) | 1,648,617 | 1,595,378 |
| Amortization | 6(8)(22) | 35,833 | 35,176 |
| Share of (gain) loss on subsidiaries, associates and joint ventures accounted for using equity method | 6(6) | ( 63,780 ) | 1,074 |
| Net (gain) loss on financial assets or liabilities at fair value through profit or loss | 6(21) | ( 20,271 ) | 13,546 |
| Compensation cost of employee restricted shares | 6(15) | 84,205 | 12,963 |
| Interest expense | | 72,504 | 64,433 |
| Interest income | 6(20) | ( 11,510 ) | ( 13,434 ) |
| Dividend income | 6(20) | ( 156 ) | ( 131 ) |
| Gain on disposal of property, plant and equipment | 6(21) | ( 134,571 ) | ( 16,149 ) |
| Exchange loss on long-term borrowings | 6(28) | 23,606 | 23,607 |
| Changes in operating assets and liabilities | | | |
| Changes in operating assets | | | |
| Notes receivable | | 159 | 318 |
| Accounts receivable | | ( 35,872 ) | ( 225,490 ) |
| Prepayments | | ( 25,196 ) | ( 20,177 ) |
| Other receivables | | 12,918 | ( 29,010 ) |
| Changes in operating liabilities | | | |
| Other payables | | 94,064 | 155,531 |
| Other current liabilities | | 814 | ( 22,114 ) |
| Accrued pension liabilities | | ( 2,234 ) | ( 936 ) |
| Cash inflow generated from operations | | 3,640,253 | 3,096,732 |
| Interest received | | 12,722 | 15,285 |
| Interest paid | | ( 73,925 ) | ( 64,714 ) |
| Dividends received | | 30,301 | 131 |
| Income tax paid | | ( 285,012 ) | ( 154,474 ) |
| Net cash flows from operating activities | | 3,324,339 | 2,892,960 |

(Continued)

ARDENTEC CORP.
PARENT COMPANY ONLY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars)

| | Notes | 2018 | 2017 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Increase in investments in debt instruments without active market | | $ - | ($ 35,000 ) |
| Increase in financial assets at amortised cost | | ( 134,600 ) | - |
| Acquisition of investments accounted for using equity method | 6(6) | ( 502,085 ) | ( 1,900,866 ) |
| Increase in restricted assets | 8 | ( 41,023 ) | ( 57 ) |
| Acquisition of property, plant and equipment | 6(27) | ( 2,487,399 ) | ( 1,428,381 ) |
| Proceeds from disposal of property, plant and equipment | | 206,732 | 181,044 |
| Acquisition of intangible assets | 6(8) | ( 48,562 ) | ( 33,040 ) |
| Decrease in refundable deposits | | 385 | - |
| Net cash flows used in investing activities | | ( 3,006,552 ) | ( 3,216,300 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term loans | 6(28) | 50,000 | ( 346,006 ) |
| Proceeds from long-term debt | 6(28) | 2,420,000 | 5,131,000 |
| Repayment of long-term debt | 6(28) | ( 2,332,384 ) | ( 4,239,282 ) |
| Cash dividends paid | 6(18) | ( 808,494 ) | ( 606,969 ) |
| Net cash flows used in financing activities | | ( 670,878 ) | ( 61,257 ) |
| Net decrease in cash and cash equivalents | | ( 353,091 ) | ( 384,597 ) |
| Cash and cash equivalents at beginning of year | 6(1) | 1,393,066 | 1,777,663 |
| Cash and cash equivalents at end of year | 6(1) | $ 1,039,975 | $ 1,393,066 |

The accompanying notes are an integral part of these parent company only financial statements.

Chairman: Chih-Yuan Lu President: Chi-Ming Chang Accounting Managerial Officer: Leslie Guh

ARDENTEC CORPORATION
NOTES TO THE PARENT COMPANY ONLY FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017
(Expressed in thousands of New Taiwan dollars,except as otherwise indicated)

1. HISTORY AND ORGANIZATION

Ardentec Corporation (the "Company") was incorporated as a company limited by shares under the provisions of the Company Act of the Republic of China (R.O.C.). The Company is primarily engaged in provision of integrated circuit testing service.

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

These financial statements were authorised for issuance by the Board of Directors on February 27, 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 the FSC effective from 2018 are as follows:

| New Standards, Interpretations and Amendments | Effective date by International Accounting Standards Board |
|---|---|
| Amendments to IFRS 2, 'Classification and measurement of share-based payment transactions' | January 1, 2018 |
| Amendments to IFRS 4, 'Applying IFRS 9, Financial instruments with IFRS 4, Insurance contracts' | January 1, 2018 |
| IFRS 9, 'Financial instruments' | January 1, 2018 |
| IFRS 15, 'Revenue from contracts with customers' | January 1, 2018 |
| Amendments to IFRS 15, 'Clarifications to IFRS 15, Revenue from contracts with customers' | January 1, 2018 |
| Amendments to IAS 7, 'Disclosure initiative' | January 1, 2017 |
| Amendments to IAS 12, 'Recognition of deferred tax assets for unrealised losses ' | January 1, 2017 |
| Amendments to IAS 40, 'Transfers of investment property' | January 1, 2018 |
| IFRIC 22, 'Foreign currency transactions and advance consideration' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1, 'First-time adoption of International Financial Reporting Standards' | January 1, 2018 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 12, 'Disclosure of interests in other entities' | January 1, 2017 |
| Annual improvements to IFRSs 2014-2016 cycle - Amendments to IAS 28, 'Investments in associates and joint ventures' | January 1, 2018 |

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

A. IFRS 9, ‘Financial instruments’

(a) Classification of debt instruments is driven by the entity’s business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset at amortised cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present subsequent changes in the fair value of an investment in an equity instrument that is not held for trading in other comprehensive income.

(b) The impairment losses of debt instruments are assessed using an ‘expected credit loss’ approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognise 12-month expected credit losses or lifetime expected credit losses (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance). The Company shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

(C) The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the significant effect as at January 1, 2018, please refer to Note 12(4).

B. IFRS 15, ‘Revenue from contracts with customers’ and amendments

(a) IFRS 15, ‘Revenue from contracts with customers’ replaces IAS 18, ‘Revenue’ and relevant interpretations. According to IFRS 15, revenue is recognised when a customer obtains control of promised goods or services. A customer obtains control of goods or services when a customer has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify contracts with customer.

Step 2: Identify separate performance obligations in the contract(s).

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price.

Step 5: Recognise revenue when the performance obligation is satisfied.

Further, IFRS 15 includes a set of comprehensive disclosure requirements that requires an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(b) The Company has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. After the adoption of IFRS 15, for services rendered according to agreements with customers, the Company recognizes revenue over time

if the Company’s performance enhances an asset that the customer controls as the asset is

enhanced. Before the adoption of IFRS 15, the Company recognized revenue when testing was
completed or delivered. However, the aforementioned difference has no material impact on the 2018 parent company only financial statements.

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

New standards, interpretations and amendments endorsed by the 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 Company's financial condition and financial performance based on the Company's assessment.

A. IFRS 16, 'Leases'
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 Company expects to recognise the lease contract of lessees in line with IFRS 16. However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"). On January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $438,159 and $430,139, respectively, while property, plant and equipment will be decreased by $8,020.

(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 |
| --- | --- |
| Amendment 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 |

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

The financial statements of the Company have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers".

(2) Basis of preparation

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

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

(b) Financial assets and liabilities at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognised as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 were not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan dollars, which is the Company's functional and presentation currency.

A. 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) All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the subsidiaries 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.

(4) Classification of current and non-current items

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.

(5) 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.

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

Effective 2018

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 Company measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

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

Prior to 2018

A. Financial assets at fair value through profit or loss are financial assets held for trading. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

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. Financial assets at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in profit or loss.

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

Effective 2018

A. Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and for which the Company 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 Company'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 Company measures the financial assets at fair value plus transaction costs. The Company 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 Company 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.

(8) Available-for-sale financial assets

Prior to 2018

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognised and derecognised using trade date accounting.

C. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognised in other comprehensive income.

(9) Available-for-sale financial assets

Effective 2018

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Company's business model is achieved by collecting contractual cash flows.

(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 amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Company's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(10) Investments in debt instruments without active market

Prior to 2018

Investments in debt instruments without active market held by the Company are those time deposits with a short maturity period but do not qualify as cash equivalents, and they are measured at initial investment amount as the effect of discounting is immaterial.

(11) Accounts and notes receivable

Effective 2018

A. Accounts and notes receivable entitle the Company 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.

Prior to 2018

Accounts receivable are loans and receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(12) Impairment of financial assets

Effective 2018

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Company 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 Company recognises the impairment provision for lifetime ECLs.

Prior to 2018

A. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

(a) Significant financial difficulty of the issuer or debtor;

(b) A breach of contract, such as a default or delinquency in interest or principal payments;

(c) The Company, for economic or legal reasons relating to the borrower’s financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

(d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) The disappearance of an active market for that financial asset because of financial difficulties;

(f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered;

(h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

(a)Financial assets measured at amortised cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset directly.

(b)Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset's acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, and is reclassified from 'other comprehensive income' to 'profit or loss'. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset directly.

(13) Derecognition of financial assets

The Company 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 Company 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 Company has not retained control of the financial asset.

(14) Investments accounted for using equity method / subsidiaries and associates

A. Subsidiaries are all entities controlled by the Company. The Company controls an entity when the Company 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.

B. Unrealised gains or losses arising from transactions between the Company and subsidiaries are eliminated. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Company.

C. The Company's share of its subsidiaries' 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 Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary, the Company continues to recognise losses proportionate to its ownership.

D. Pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," profit (loss) of the current period and other comprehensive income in the financial statements shall be equal to the amount attributable to owners of the parent in the financial statements prepared on a consolidation basis. Owners' equity in the financial statements shall be equal to equity attributable to owners of the parent in the financial statements prepared on a consolidation basis.

E. Associates are all entities over which the Company 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 percent 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.

F. The Company'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.

G.When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognises the Company's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

H. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company'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 Company.

I. When the Company 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. If it retains significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(15) 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 Company 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:

| | |
|---|---|
| Land improvements | 10 years |
| Buildings and structures | 5 ~ 50 years |
| Machinery and equipment | 2 ~ 15 years |
| Transportation equipment | 5 years |
| Office equipment | 3 ~ 5 years |
| Leasehold improvements | 8 years |
| Other facilities | 2 ~ 6 years |

(16) Leases

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) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 1 to 5 years.

(18) Impairment of non-financial assets

The Company 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 recognising 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.

(19) 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.

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

Effective 2018

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. Or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

C. If the credit risk results in fair value changes in financial liabilities designated as at fair value through profit or loss, they are recognised in other comprehensive income in the circumstances other than avoiding accounting mismatch or recognising in profit or loss for loan commitments or financial guarantee contracts.

Prior to 2018

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading. 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 categorized as financial liabilities held for trading unless they are designated as hedges.

B. Financial liabilities at fair value through profit or loss are initially recognised at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are 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) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) Provisions

Provisions – decommissioning are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(24) 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

(a) Defined contribution plan

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.

(b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurements arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

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. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

Issuance of employee restricted stock

A. Restricted stocks issued to employees are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period.

B. For restricted stocks where those stocks do not restrict distribution of dividends to employees and employees are not required to return the dividends received if they resign during the vesting period, the Company recognises the fair value of the dividends received by the employees who are expected to resign during the vesting period as compensation cost at the date of dividends declared.

C. For restricted stocks where employees do not need to pay to acquire those stocks, if the employees resign or pass away due to non-occupational accident before fulfilling the vesting condition, the Company will recover the shares without compensation and make retirement registration.

(26) 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 balance sheet. Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company 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. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

(27) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. 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.

(28) 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.

(29) Revenue recognition

Effective 2018

Test revenue

A. The Company is primarily engaged in providng test service of integrated circuit. Customers control the asset and the Company transfers its control over goods or service over time and recognises revenue when performance obligation is satisfied over time. If the commitment is required to render a specified service, such service rely on technical experts' input and related activity. The stage of completion of service is measured by the proportion of completed testing time to the estimated total testing time. If the commitment is required to provide services in certain periods, the stage of completion of service is measured by the time incurred. Because the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

B. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Prior to 2018

The Company renders testing-related services. Revenue from rendering services is recognised when the transactional result can be reliably estimated at the time of testing completion or delivery, whichever is stipulated as the transaction term.

(30) Business combinations

A. The Company uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Company measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.

B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognised and the fair value of previously held equity interest in the acquiree is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognised directly in profit or loss on the acquisition date.

(31) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Company will comply with any conditions attached to the grants and the grants will be received.

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

The preparation of these financial statements requires management to make critical judgements in applying the Company'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 Company's accounting policies

None.

(2) Critical accounting estimates and assumptions

A. Impairment of goodwill acquired in a business combination

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, that is expected to benefit from the synergies of the business combination. To calculate value-in-use, management shall estimate the future cash flows generated from cash-generating units, and determine the discout rate used to calculate present value. If the actual cash flow is lower than expected cash flow, the significant impairment loss will be incurred.

B. Estimation of useful life of property, plant and equipment

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 audit the sales 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.

## 6. DETAILS OF SIGNIFICANT ACCOUNTS

### (1) Cash and cash equivalents

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Cash on hand and petty cash | $ | 40 | $ | 40 |
| Checking accounts and demand deposits | | 256,268 | | 310,314 |
| Time deposits | | 144,300 | | 1,082,712 |
| Notes and bonds issued under repurchase agreement | | 639,367 | | - |
| | $ | 1,039,975 | $ | 1,393,066 |

A. The Company 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. The Company does not pledge any cash or cash equivalents disclosed in the balance sheet as collateral. For details about cash and cash equivalents pledged as collateral, please refer to Note 8.

C. As at December 31, 2018, the Company's time deposits with maturity of over three months amounting to $505,827 were recorded as financial assets at amortised cost - current. Please refer to Note 6(4) for details.

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

| Items | December 31, 2018 | |
|---|---|---|
| Current items: | | |
| Financial assets mandatorily measured at fair value through profit or loss | | |
| Yuanta/P-shares Taiwan Top 50 ETF. | $ | 3,093 |
| Valuation adjustment | | 305 |
| | | 3,398 |
| Derivatives | | 112 |
| Total | $ | 3,510 |

A. The Company recognised net gain of $15,088 on financial assets at fair value through profit or loss for the year ended December 31, 2018.

B. The derivative financial assets transaction and contract information are as follows:

| Derivative financial assets | December 31, 2018 Contract amount (notional principal) in thousand | | Contract period |
|---|---|---|---|
| Current items: | | | |
| Forward foreign exchange contracts | US$ | 1,189 | 2018.12.11~ 2019.01.09 |

The Company entered into forward exchange contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

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

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 is provided in Note 12(4).

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

| Items | | December 31, 2018 |
|---|---|---|
| Current items: | | |
| Equity instruments | | |
| CTBC Financial Holding Co., Ltd. | $ | 477 |
| Valuation adjustment | ( | 5) |
| | $ | 472 |

A. The Company recognised $610 in other comprehensive loss for fair value change for the year ended December 31, 2018.

B. Information on available-for-sale financial assets and financial assets at cost as of December 31, 2017 is provided in Note 12(4).

(4) Financial assets at amortised cost

| Items | | December 31, 2018 |
|---|---|---|
| Current items: | | |
| Pledged time deposit | $ | 34,108 |
| Time deposits-maturing in over three months | | 505,827 |
| | $ | 539,935 |

A. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Company was $539,935.

B. Details of the Company’s financial assets at amortised cost pledged to others as collateral are provided in Note 8.

C. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

D. Information on investments in debt instruments without active market as of December 31, 2017 is provided in Note 12(4).

(5) Accounts receivable

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Accounts receivable | $ 1,328,550 | $ 1,293,168 |
| Less: Allowance for bad debts | ( 350) | ( 350) |
| | 1,328,200 | 1,292,818 |
| Related parties | 78,270 | 77,780 |
| | $ 1,406,470 | $ 1,370,598 |

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

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Not past due | $ 1,357,797 | $ 1,328,909 |
| Up to 30 days | 30,158 | 29,710 |
| 31 to 90 days | 17,130 | 9,914 |
| 91 to 180 days | 1,735 | 2,415 |
| | $ 1,406,820 | $ 1,370,948 |

The above ageing analysis was based on past due date.

B. The Company does not hold any collateral as security.

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

D. Information of December 31, 2017 is provided in Note 12(4).

(6) Investments accounted for using equity method

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Subsidiaries: | | |
| Sheng Tang Investment Ltd. | $ 32,435 | $ 31,365 |
| Giga Solution Technology Co., Ltd. | 2,650,443 | 2,649,936 |
| Valutek,Inc. | 238,910 | 211,013 |
| Valucom Investment,Inc. | 1,218,398 | 833,464 |
| Ardentec Singapore Pte. Ltd. | 1,443,852 | 1,315,133 |
| Ardentec Korea Co., Ltd. | 397,181 | 387,005 |
| Associates: | | |
| Raytek Semiconductor, Inc. | 231,349 | 294,303 |
| | $ 6,212,568 | $ 5,722,219 |

A. For the years ended December 31, 2018 and 2017, the Company recognised $63,780 and ($1,074) in gain (loss), and ($21,396) and $11,562 in other comprehensive (loss) income on investments accounted for using equity method.

B. Ardentec Corporation completed the tender offer process on September 1, 2016. Under this transaction, Ardentec Corporation paid NT$1,844,275 thousand to acquire 63.84% of the shares of Giga Solution Technology Co., Ltd. in cash, which is including the shares acquired before the tender offer. On August 30, 2017, Ardentec Corporation increased the capital by NT$1,046,342 thousand, which resulted in the shareholding ratio increasing from 63.84% to 100%. The measurement of the fair values for those assets and liabilities acquired at acquisition date were completed in the measurement period of 2017. Please refer to Note 6(28) of the Group’s consolidated financial statements for related information.

C. For the information about the Company and its subsidiaries, please refer to Note 4(3) in the consolidated financial statements for the year ended December 31, 2018.

D. Associates

(a) The basic information of the associates that are material to the Company is as follows:

| Company name | Principal place of business | Shareholding ratio | |
|---|---|---|---|
| | | December 31, 2018 | December 31, 2017 |
| Raytek Semiconductor, Inc. | Taiwan | 31.30% | 31.73% |

(b) The summarised financial information of the associates that are material to the Company is as follows:

Balance sheet

| | Raytek Semiconductor, Inc. | |
| --- | --- | --- |
| | December 31, 2018 | December 31, 2017 |
| Current assets | $ 155,971 | $ 288,222 |
| Non-current assets | 913,103 | 965,220 |
| Current liabilities | ( 129,754) | ( 131,455) |
| Non-current liabilities | ( 200,555) | ( 200,000) |
| Total net assets | $ 738,765 | $ 921,987 |
| | | |
| Share in associate's net assets | $ 231,205 | $ 292,572 |
| Goodwill | 3,371 | 3,371 |
| Employee stock options | ( 3,227) | ( 1,640) |
| Carrying amount of the associate | $ 231,349 | $ 294,303 |

Statement of comprehensive income

| | Raytek Semiconductor, Inc. | |
| --- | --- | --- |
| | Year ended December 31, 2018 | Year ended December 31, 2017 |
| Revenue | $ 103,501 | $ 13,388 |
| Net loss | ( 201,155) | ( 144,541) |
| Total comprehensive loss | ($ 201,155) | ($ 144,541) |

(7) Property, plant and equipment

| | Land | Land improvements | Buildings and structures | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Unfinished construction and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2018 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 1,750,503 | $ 19,025,493 | $ 7,799 | $ 108,264 | $ 247,885 | $ 210,380 | $ 190,236 | $ 22,201,513 |
| Accumulated depreciation | - | (7,255) | (808,475) | (14,333,192) | (4,741) | (95,808) | (90,046) | (156,125) | - | (15,495,642) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 942,028 | $ 4,687,246 | $ 3,058 | $ 12,456 | $ 157,839 | $ 54,255 | $ 190,236 | $ 6,700,816 |
| 2018 | | | | | | | | | | |
| At January 1 | $ 653,698 | $ - | $ 942,028 | $ 4,687,246 | $ 3,058 | $ 12,456 | $ 157,839 | $ 54,255 | $ 190,236 | $ 6,700,816 |
| Additions | - | - | 36,268 | 1,338,185 | - | 6,751 | 8,048 | 22,069 | 1,134,256 | 2,545,577 |
| Disposals | - | - | - | (141,241) | - | - | - | - | - | (141,241) |
| Reclassifications | - | - | 37,271 | 978,099 | - | - | (688) | - | (1,014,682) | - |
| Depreciation charge | - | - | (73,331) | (1,524,837) | (849) | (7,065) | (24,214) | (18,321) | - | (1,648,617) |
| At December 31 | $ 653,698 | $ - | $ 942,236 | $ 5,337,452 | $ 2,209 | $ 12,142 | $ 140,985 | $ 58,003 | $ 309,810 | $ 7,456,535 |
| At December 31, 2018 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 1,827,724 | $ 20,627,157 | $ 7,793 | $ 114,852 | $ 251,563 | $ 180,723 | $ 309,810 | $ 23,980,575 |
| Accumulated depreciation | - | (7,255) | (885,488) | (15,284,650) | (5,584) | (102,710) | (110,578) | (122,720) | - | (16,518,985) |
| Accumulated impairment | - | - | - | (5,055) | - | - | - | - | - | (5,055) |
| | $ 653,698 | $ - | $ 942,236 | $ 5,337,452 | $ 2,209 | $ 12,142 | $ 140,985 | $ 58,003 | $ 309,810 | $ 7,456,535 |

| | Land | Land improvements | Buildings and structures | Machinery | Transportation equipment | Office equipment | Leasehold improvements | Others | Unfinished construction and equipment to be inspected | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 1,738,299 | $ 18,458,013 | $ 6,998 | $ 148,471 | $ 246,141 | $ 191,536 | $ 25,820 | $ 21,476,231 |
| Accumulated depreciation | - | ( 7,255) | ( 733,338) | ( 13,393,908) | ( 5,513) | ( 134,352) | ( 66,380) | ( 140,636) | - | ( 14,481,382) |
| Accumulated impairment | - | - | - | ( 5,055) | - | - | - | - | - | ( 5,055) |
| | $ 653,698 | $ - | $ 1,004,961 | $ 5,059,050 | $ 1,485 | $ 14,119 | $ 179,761 | $ 50,900 | $ 25,820 | $ 6,989,794 |
| 2017 | | | | | | | | | | |
| At January 1 | $ 653,698 | $ - | $ 1,004,961 | $ 5,059,050 | $ 1,485 | $ 14,119 | $ 179,761 | $ 50,900 | $ 25,820 | $ 6,989,794 |
| Additions | - | - | 7,329 | 903,672 | 2,446 | 6,905 | 1,744 | 18,747 | 490,865 | 1,431,708 |
| Disposals | - | - | - | ( 125,308) | - | - | - | - | - | ( 125,308) |
| Reclassifications | - | - | 4,875 | 321,574 | - | - | - | - | ( 326,449) | - |
| Depreciation charge | - | - | ( 75,137) | ( 1,471,742) | ( 873) | ( 8,568) | ( 23,666) | ( 15,392) | - | ( 1,595,378) |
| At December 31 | $ 653,698 | $ - | $ 942,028 | $ 4,687,246 | $ 3,058 | $ 12,456 | $ 157,839 | $ 54,255 | $ 190,236 | $ 6,700,816 |
| At December 31, 2017 | | | | | | | | | | |
| Cost | $ 653,698 | $ 7,255 | $ 1,750,503 | $ 19,025,493 | $ 7,799 | $ 108,264 | $ 247,885 | $ 210,380 | $ 190,236 | $ 22,201,513 |
| Accumulated depreciation | - | ( 7,255) | ( 808,475) | ( 14,333,192) | ( 4,741) | ( 95,808) | ( 90,046) | ( 156,125) | - | ( 15,495,642) |
| Accumulated impairment | - | - | - | ( 5,055) | - | - | - | - | - | ( 5,055) |
| | $ 653,698 | $ - | $ 942,028 | $ 4,687,246 | $ 3,058 | $ 12,456 | $ 157,839 | $ 54,255 | $ 190,236 | $ 6,700,816 |

Information about the property, plant and equipment that were pledged to others as collateral is provided in Note 8.

(8) Intangible assets

| | Software | | Others | | Total | |
|---|---|---|---|---|---|---|
| At January 1, 2018 | | | | | | |
| Cost | $ | 26,125 | $ | 3,695 | $ | 29,820 |
| Accumulated amortisation | ( | 14,904) | ( | 1,954) | ( | 16,858) |
| | $ | 11,221 | $ | 1,741 | $ | 12,962 |
| 2018 | | | | | | |
| At January 1 | $ | 11,221 | $ | 1,741 | $ | 12,962 |
| Additions | | 47,876 | | 686 | | 48,562 |
| Amortisation charge | ( | 35,035) | ( | 798) | ( | 35,833) |
| At December 31 | $ | 24,062 | $ | 1,629 | $ | 25,691 |
| At December 31, 2018 | | | | | | |
| Cost | | 38,244 | | 3,962 | $ | 42,206 |
| Accumulated amortisation | ( | 14,182) | ( | 2,333) | ( | 16,515) |
| | $ | 24,062 | $ | 1,629 | $ | 25,691 |

| | Software | | Others | | Total | |
|---|---|---|---|---|---|---|
| At January 1, 2017 | | | | | | |
| Cost | $ | 49,085 | $ | 3,085 | $ | 52,170 |
| Accumulated amortisation | ( | 35,786) | ( | 1,286) | ( | 37,072) |
| | $ | 13,299 | $ | 1,799 | $ | 15,098 |
| 2017 | | | | | | |
| At January 1 | $ | 13,299 | $ | 1,799 | $ | 15,098 |
| Additions | | 32,430 | | 610 | | 33,040 |
| Amortisation charge | ( | 34,508) | ( | 668) | ( | 35,176) |
| At December 31 | $ | 11,221 | $ | 1,741 | $ | 12,962 |
| At December 31, 2017 | | | | | | |
| Cost | | 26,125 | | 3,695 | $ | 29,820 |
| Accumulated amortisation | ( | 14,904) | ( | 1,954) | ( | 16,858) |
| | $ | 11,221 | $ | 1,741 | $ | 12,962 |

Details of amortisation on intangible assets are as follows:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2018 | | 2017 | |
| Operating cost | $ | 24,895 | $ | 22,635 |
| Research and development expenses | | 10,938 | | 12,541 |
| | $ | 35,833 | $ | 35,176 |

(9) Other non-current assets

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Restricted assets (Note) | $ | 25,966 | $ | - |
| Refundable deposits | | 14,834 | | 15,219 |
| Prepayments for equipment | | 11 | | 25 |
| | $ | 40,811 | $ | 15,244 |

Note: Restricted assets mainly arise from demand deposit restricted as a special reserve due to long-term syndicated loan, please refer to Note 8 for more information.

(10) Short-term borrowings

| Type of borrowings | December 31, 2018 | Interest rate range |
|---|---|---|
| Unsecured bank borrowings | $ 350,000 | 0.82% |

| Type of borrowings | December 31, 2017 | Interest rate range |
|---|---|---|
| Unsecured bank borrowings | $ 300,000 | 0.84% |

(11) Other payables

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Payable for employees' compensation | $ 277,329 | $ 215,539 |
| Bonus payable | 185,777 | 150,075 |
| Payable on machinery and equipment | 136,988 | 78,824 |
| Payable for maintenance expense | 91,406 | 80,645 |
| Payable for directors' and supervisors' remuneration | 69,216 | 53,723 |
| Salaries payable | 49,220 | 49,603 |
| Others | 115,360 | 146,080 |
| | $ 925,296 | $ 774,489 |

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

| Items | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Current items: | | |
| Derivative instruments | $ - | $ 23,607 |

A. The Company recognised net loss of $63,301 and $35,996 on derivative financial liabilities for the years ended December 31, 2018 and 2017, respectively.

B. The derivative financial liabilities transaction and contract information are as follows:

| | December 31, 2018 | | December 31, 2017 | |
|---|---|---|---|---|
| Derivative financial Liabilities | Contract amount (Notional principal) | Contract period | Contract amount (Notional principal) | Contract period |
| Current items: | | | | |
| Cross currency swap contracts | US$ - | - | US$ 9,000 | 2016.07.07~ 2018.07.10 |

The Company entered into cross currency swap contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(13) Long-term borrowings

| Borrowing bank | Type of borrowings | Borrowing period and repayment term | Collateral (Note 2) | December 31, 2018 |
|---|---|---|---|---|
| Mega Bank | Medium and long - term secured borrowings for the purchase of automatic machine (Note 1) | 2016.08.06~2020.08.06 (in installments) | Machinery and equipment (Note 4) | $ 263,268 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated loan (Note 1) | 2019.03.15~2022.03.15 (in installments) | None | 2,500,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long - term unsecured borrowings | 2019.01.09~2019.12.20 (Revolving) | None | 500,000 |
| O-Bank (Note 4) | Medium and long - term unsecured borrowings(Note 1) | 2019.02.27~2019.03.08 (Repay on due date) | None | 400,000 |
| CTBC Bank Co., Ltd. | Medium and long - term unsecured borrowings(Note 1) | 2020.08.24~2021.08.24 (Revolving) | None | 300,000 |
| 7 commercial banks including Bank of Taiwan | Long-term syndicated loan (Note 1) | 2019.03.11~2023.09.10 (Revolving) | None | 400,000 |
| | | | | 4,363,268 |
| Less: Current portion | | | | ( 1,764,964) |
| | | | | $ 2,598,304 |
| Interest rate range | | | | 0.98778%~1.7895% |

| Borrowing bank | Type of borrowings | Borrowing period and repayment term | Collateral (Note 2) | December 31, 2017 |
|---|---|---|---|---|
| Mega Bank | Medium and long - term secured borrowings for the purchase of automatic machine (Note 1) | 2016.08.06~2020.08.06 (in installments) | Machinery and equipment | $ 414,326 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated secured borrowings (Note 1) | 2016.01.04~2019.01.04 (in installments) | Land, machinery and equipment, buildings and structures(Note 3) | 814,260 |
| 8 commercial banks including Bank of Taiwan | Long-term syndicated loan | 2019.03.15~2022.03.15 (in installments) | None | 1,880,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long - term unsecured borrowings | 2018.03.16~2019.12.20 (Revolving) | None | 500,000 |
| O-Bank (Note 4) | Medium and long - term unsecured borrowings(Note 1) | 2018.02.09~2018.09.30 (Revolving) | None | 200,000 |
| KGI Commercial Bank Co., Ltd. | Medium and long - term secured borrowings for the purchase of automatic machine (Note 1) | 2016.04.15~2020.01.15 (in installments) | Land, machinery and equipment, buildings and structures(Note 3) | 90,000 |
| CTBC Bank Co., Ltd. | Medium and long - term secured borrowings for the purchase of automatic machine (Note 1) | 2016.03.29~2018.06.29 (in installments) | Machinery and equipment | 23,000 |
| Citibank Taiwan, Ltd. | Medium and long - term secured borrowings for the purchase of automatic machine (Note 1) | 2018.07.10 (Repay on due date) | Machinery and equipment | 267,093 |
| Land Bank of Taiwan | Medium and long - term secured borrowings for the purchase of automatic machine | 2016.02.16~2020.11.16 (in installments) | Land, machinery and equipment, buildings and structures(Note 3) | 63,367 |
| | | | | 4,252,046 |
| Less: Current portion | | | | ( 1,244,400) |
| | | | | $ 3,007,646 |
| Interest rate range | | | | 1.13644%~2.00639% |

Note 1：The credit contract provides that the Company is obliged to comply with certain financial ratios such as current ratio, debt ratio, interest coverage ratio, financial liability ratio and tangible assets during the year and by the end of half a year. As of December 31, 2018 and 2017, the Company has not violated any of the financial ratios.

Note 2：For the carrying amount of collaterals for long-term borrowings, please refer to Note 8.

Note 3：Land, buildings and structures are partially pledged as collaterals.

Note 4：Certain land and buildings and structures are used to be the secondary collateral.

(14) Pensions

A.(a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. The Company also provides for the pension of directors and assigned managers who actually engage in work by referring to the abovementioned regulations. The pension will be paid by the Company upon their resignation.

(b) The amounts recognised in the balance sheet are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Present value of appropriated defined benefit obligation | ($ 139,507) | ($ 128,639) |
| Fair value of plan assets | 77,279 | 72,147 |
| | ( 62,228) | ( 56,492) |
| Present value of unappropriated defined benefit obligation | ( 32,966) | ( 33,068) |
| Net liabilities recognised in the balance sheet | ($ 95,194) | ($ 89,560) |

(c) Movements in net defined benefit liabilities are as follows:

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2018 | | | |
| Balance at January 1 | ($ 161,707) | $ 72,147 | ($ 89,560) |
| Current service cost | ( 1,625) | - | ( 1,625) |
| Interest (expense) income | ( 2,213) | 1,010 | ( 1,203) |
| | ( 165,545) | 73,157 | ( 92,388) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | 1,844 | 1,844 |
| Change in demographic assumptions | ( 5,953) | - | ( 5,953) |
| Change in financial assumptions | ( 2,150) | - | ( 2,150) |
| Experience adjustments | ( 1,608) | - | ( 1,608) |
| | ( 9,711) | 1,844 | ( 7,867) |
| Pension fund contribution | - | 3,761 | 3,761 |
| Paid pension | 2,783 | ( 1,483) | 1,300 |
| Balance at December 31 | ($ 172,473) | $ 77,279 | ($ 95,194) |

| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability |
|---|---|---|---|
| 2017 | | | |
| Balance at January 1 | ($ 144,655) | $ 67,688 | ($ 76,967) |
| Current service cost | ( 1,728) | - | ( 1,728) |
| Interest (expense) income | ( 2,170) | 1,044 | ( 1,126) |
| | ( 148,553) | 68,732 | ( 79,821) |
| Remeasurements: | | | |
| Return on plan assets (excluding amounts included in interest income or expense) | - | ( 377) | ( 377) |
| Change in demographic assumptions | ( 6,693) | - | ( 6,693) |
| Change in financial assumptions | ( 2,020) | - | ( 2,020) |
| Experience adjustments | ( 4,441) | - | ( 4,441) |
| | ( 13,154) | ( 377) | ( 13,531) |
| Pension fund contribution | - | 3,792 | 3,792 |
| Paid pension | - | - | - |
| Balance at December 31 | ($ 161,707) | $ 72,147 | ($ 89,560) |

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2018 and 2017 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Discount rate | 1.250% | 1.375% |
| Long-term average salary increase rate | 2.000% | 2.000% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with 5th Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

| | Discount rate | | Future salary increases | |
|---|---|---|---|---|
| | Increase 0.25% | Decrease 0.25% | Increase 0.25% | Decrease 0.25% |
| December 31, 2018 | | | | |
| Effect on present value of defined benefit obligation | ($ 5,028) | $ 5,248 | $ 5,133 | ($ 4,944) |
| December 31, 2017 | | | | |
| Effect on present value of defined benefit obligation | ($ 4,795) | $ 5,009 | $ 4,907 | ($ 4,723) |

The sensitivity analysis above was based on one assumption which changed while the other conditions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(f) Expected contributions to the defined benefit pension plan of the Company for the year ending December 31, 2019 amounts to $3,666.

B. (a) Effective July 1, 2005, the Company has 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 contributes 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. The pension costs for directors who actually engage in work are paid by the Company after deducting the appropriation to the personal account with the Bureau of Labor Insurance and the profit.

(b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2018 and 2017, were $47,423 and $44,923, respectively.

(15) Share-based payment

A. For the years ended December 31, 2018 and 2017, the Company’s share-based payment arrangements were as follows:

| Type of arrangement | Grant date | Quantity granted (Shares in thousands) | Contract period | Vesting conditions |
|---|---|---|---|---|
| Restricted stocks to employees | 2014.03.13 | 3,145 | 4 years | Note |
| Restricted stocks to employees | 2014.08.11 | 1,840 | 4 years | Note |
| Restricted stocks to employees | 2017.12.21 | 4,600 | 4 years | Note |
| Restricted stocks to employees | 2018.05.03 | 400 | 4 years | Note |

Note :

| Beginning year of employment | Vesting conditions | | Earned share ratio |
|---|---|---|---|
| | Years of employment | Work performance ranking during the year | |
| First year | One full year | Successful (and) above | 20% |
| Second year | One full year | | 20% |
| Third year | One full year | | 30% |
| Fourth year | One full year | | 30% |

The restricted stocks issued by the Company cannot be transferred during the vesting period, but voting right and dividend right are not restricted on these stocks. Employees are required to return the stocks but not required to return the dividends received if they resign during the vesting period.

B. The Company’s employee restricted shares do not restrict the right of voting and dividend participation. The shares were measured at fair value based on the closing price, $26.3 (in dollars), $26.2 (in dollars), $37.4 (in dollars) and $32.55(in dollars), on March 13, 2014, August 11, 2014, December 21, 2017 and May 3, 2018, respectively.

C. Details of the employee restricted shares are as follows:

| | Year ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Employee restricted shares | No. of shares (in thousands) | No. of shares (in thousands) |
| Outstanding at beginning of the year | 5,897 | 2,863 |
| Shares granted | 400 | 4,600 |
| Shares vested | ( 2,162) | ( 1,427) |
| Shares retired | ( 111) | ( 139) |
| Outstanding at end of the year | 4,024 | 5,897 |

D. Expenses incurred on share-based payment transactions are shown below:

| | 2018 | 2017 |
|---|---|---|
| Equity-settled | $ 84,205 | $ 12,963 |

(16) Share capital

A. As of December 31, 2018, the Company’s authorised capital was $10 billion consisting of 1 billion shares, including $300 million for stock options of 30 million shares. The paid-in capital was $4,903,252 with a par value of $10 per share.

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

(Unit: shares in thousands)

| | 2018 | 2017 |
|---|---|---|
| At January 1 | 473,786 | 469,325 |
| Issuance of employee restricted shares | 400 | 4,600 |
| Retirement of employee restricted shares | ( 111) | ( 139) |
| At December 31 | 474,075 | 473,786 |

B. Treasury shares

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

(Unit: shares in thousands/dollars in thousands)

| Name of company holding the shares | Reason for reacquisition | December 31, 2018 Number of shares | Carrying amount |
|---|---|---|---|
| Subsidiary - Sheng Tang Investment Ltd. | Investment | 278 | $ 1,997 |
| Subsidiary - Valutek, Inc. | Investment | 15,972 | 124,775 |
| | | 16,250 | $ 126,772 |

| Name of company holding the shares | Reason for reacquisition | December 31, 2017 Number of shares | Carrying amount |
|---|---|---|---|
| Subsidiary - Sheng Tang Investment Ltd. | Investment | 278 | $ 1,997 |
| Subsidiary - Valutek, Inc. | Investment | 15,972 | 124,775 |
| | | 16,250 | $ 126,772 |

(17) Capital surplus

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.

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset deficit from prior years and then 10% of the remaining amount shall be set aside as legal reserve. A special reserve should be appropriated depending on the regulation or requirement.

B. As the Company is in the growing stage, the Company appropriates earnings based on the factors such as current and future investment environment, capital needs, domestic and overseas competition and capital budget, along with the consideration of shareholders' interest and capital adequacy. The earnings is appropriated with the abovementioned approach. In addition, dividend and bonus can be distributed in cash or shares. Where there is profit accrued in the current year, the distributed dividends and bonus is 10% to 80% of the unappropriated retained earnings,of which cash dividends must not be lower than 5% of total dividends and bonus.

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 2017 and 2016 had been resolved at the stockholders' meeting on May 29, 2018 and June 28, 2017, respectively. Details are summarized below:

| | Years ended December 31, | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | Amount | Dividend per share (in dollars) | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 127,699 | $ - | $ 89,318 | $ - |
| Cash dividends | 808,494 | 1.65 | 606,969 | 1.25 |
| | $ 936,193 | $ 1.65 | $ 696,287 | $ 1.25 |

F. The appropriations of earnings for 2018 had been resolved at the Board of Directors meeting on February 27, 2019. Details are summarized below:

| | Year ended December 31, 2018 | |
|---|---|---|
| | Amount | Dividend per share (in dollars) |
| Legal reserve | $ 154,854 | $ - |
| Cash dividends | 784,520 | 1.60 |
| Total | $ 939,374 | $ 1.60 |

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

(19) Operating revenue

| | Year ended December 31, 2018 |
|---|---|
| Service revenue | $ 6,433,976 |
| Other operating revenue | 39,498 |
| | $ 6,473,474 |

A. Disaggregation of revenue from contracts with customers

The Company derives revenue for the year ended December 31, 2018. Details are summarized below:

| Wafer test | Finished product testing | Other | Total |
|---|---|---|---|
| $ 5,793,943 | $ 640,033 | $ 39,498 | $ 6,473,474 |

B. Related disclosures for 2017 operating revenue are provided in Note 12(5) B.

(20) Other income

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Rental revenue | $ 10,916 | $ 12,874 |
| Miscellaneous income | 3,212 | 16,775 |
| Dividend income | 156 | 131 |
| Interest income | | |
| Interest income from bank deposits | 11,019 | 12,832 |
| Other income | 491 | 602 |
| | $ 25,794 | $ 43,214 |

(21) Other gains and losses

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Net loss on financial assets at fair value through profit or loss | ($ 3,336) | ($ 567) |
| Net gain (loss) on financial liabilities at fair value through profit or loss | 23,607 | ( 12,979) |
| Net currency exchange loss | ( 17,560) | ( 37,865) |
| Gain on disposal of property, plant and equipment | 134,571 | 16,149 |
| | $ 137,282 | ($ 35,262) |

(22) Expenses by nature

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Employee benefit expense | $ 1,776,002 | $ 1,517,559 |
| Depreciation charges on property, plant and equipment | 1,648,617 | 1,595,378 |
| Amortization expense | 35,833 | 35,176 |
| | $ 3,460,452 | $ 3,148,113 |

(23) Employee benefit expense

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Wages and salaries | $ 1,478,353 | $ 1,293,459 |
| Share-based payments | 84,205 | 12,963 |
| Labour and health insurance fees | 106,209 | 99,319 |
| Pension costs | 50,251 | 57,777 |
| Other personnel expenses | 56,984 | 54,041 |
| | $ 1,776,002 | $ 1,517,559 |

A. Under the Articles of Incorporation of the Company, the distribution of earnings should first cover the accumulated deficit. If there is remaining earnings, 12% of which should be appropriated as employees' compensation and 3% of which as directors' and supervisors' remuneration.

B. For the years ended December 31, 2018 and 2017, employees' compensation was accrued at $276,864 and $214,891, respectively; while directors' and supervisors' remuneration was accrued at $69,216 and $53,723, respectively. The aforementioned amounts were recognised in salary expenses.

The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 12% and 3% of distributable profit of current year as of the end of reporting period. The employees' compensation and directors' and supervisors' remuneration resolved by the Board of Directors in February 27, 2019 were $276,864 and $69,216, respectively and the employees' compensation will be distributed in the form of cash.

Employees' compensation and directors' and supervisors' remuneration for 2017 as resolved by the Board of Directors were in agreement with those amounts recognised in the 2017 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. Income tax expense

(a) Components of income tax expense:

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the year | $ 385,191 | $ 228,724 |
| Tax on undistributed surplus earnings | 32,922 | 18,401 |
| Prior year income tax underestimation | 1,356 | 4 |
| Total current tax | 419,469 | 247,129 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | 11,078 | ( 1,970) |
| Impact of change in tax rate | ( 17,966) | - |
| Total deferred tax | ( 6,888) | ( 1,970) |
| Income tax expense | $ 412,581 | $ 245,159 |

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Currency translation differences | ($ 2,216) | $ 2,024 |
| Remeasurement of defined benefit obligations | ( 1,573) | ( 2,300) |
| Total | ($ 3,789) | ($ 276) |

B. Reconciliation between income tax expense and accounting profit :

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 392,225 | $ 258,765 |
| Effects from items disallowed by tax regulation | 16,742 | 11,136 |
| Effect of tax exempted income | ( 12,698) | ( 46,318) |
| Tax on undistributed surplus earnings | 32,922 | 18,401 |
| Prior year income tax underestimation | 1,356 | 4 |
| Effect of original withholding tax | - | 3,171 |
| Impact of change in tax rate | ( 17,966) | - |
| Income tax expense | $ 412,581 | $ 245,159 |

C. Amounts of deferred tax assets or liabilities as a result of temporary differences are as follows:

| 2018 | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
|---|---|---|---|---|
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealised long-term investments loss | $ 84,449 | ($ 4,212) | $ - | $ 80,237 |
| Unrealised exchange loss | 2,652 | ( 1,458) | - | 1,194 |
| Loss on valuation of financial liabilities | 4,013 | ( 4,013) | - | - |
| Unrealized pension | 7,574 | 2,416 | - | 9,990 |
| Unrealised gains on inter-affiliated accounts | 6,461 | 8,846 | - | 15,307 |
| Decommissioning provisions | 695 | 401 | - | 1,096 |
| Unrealised loss on doubtful debts | 691 | 122 | - | 813 |
| Impairment loss recognized in profit or loss, fixed assets | 247 | ( 102) | - | 145 |
| Actuarial loss on defined benefit plan | 7,900 | - | 1,573 | 9,473 |
| | $ 114,682 | $ 2,000 | $ 1,573 | $ 118,255 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ($ 4,333) | $ 4,333 | $ - | $ - |
| Gain on valuation of financial assets | ( 639) | 555 | - | ( 84) |
| Currency translation differences | ( 11,807) | - | 2,216 | ( 9,591) |
| | ($ 16,779) | $ 4,888 | $ 2,216 | ($ 9,675) |
| | $ 97,903 | $ 6,888 | $ 3,789 | $ 108,580 |

| | 2017 | | | |
|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | December 31 |
| Temporary differences: | | | | |
| -Deferred tax assets: | | | | |
| Unrealised long-term investments loss | $ 92,024 | ($ 7,575) | $ - | $ 84,449 |
| Unrealised exchange loss | 690 | 1,962 | - | 2,652 |
| Loss on valuation of financial liabilities | 1,807 | 2,206 | - | 4,013 |
| Unrealized pension | 7,712 | ( 138) | - | 7,574 |
| Unrealised gains on inter-affiliated accounts | - | 6,461 | - | 6,461 |
| Decommissioning provisions | 458 | 237 | - | 695 |
| Unrealised loss on doubtful debts | 691 | - | - | 691 |
| Impairment loss recognized in profit or loss, fixed assets | 369 | ( 122) | - | 247 |
| Actuarial loss on defined benefit plan | 5,600 | - | 2,300 | 7,900 |
| | $ 109,351 | $ 3,031 | $ 2,300 | $ 114,682 |
| -Deferred tax liabilities: | | | | |
| Unrealised exchange gain | ($ 3,176) | ($ 1,157) | $ - | ($ 4,333) |
| Gain on valuation of financial assets | ( 735) | 96 | - | ( 639) |
| Currency translation differences | ( 9,783) | - | ( 2,024) | ( 11,807) |
| | ($ 13,694) | ($ 1,061) | ($ 2,024) | ($ 16,779) |
| | $ 95,657 | $ 1,970 | $ 276 | $ 97,903 |

D. Under the Regulations Governing the Incentives for Emerging Strategic Industries in the Manufacturing and Technical Service Sector, the Company is exempt from the corporate income tax for five years, beginning on March 18, 2013.

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

F. 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 will be raised from 17% to 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate.

(25) Earnings per share

| | Year ended December 31, 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 | $ 1,548,542 | 467,988 | $ 3.31 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | | 12,515 | |
| Employee restricted shares | | 3,032 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | $ 1,548,542 | 483,535 | $ 3.20 |

| | Year ended December 31, 2017 | | |
|---|---|---|---|
| | 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 | $ 1,276,988 | 467,258 | $ 2.73 |
| Diluted earnings per share | | | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employees' compensation | | 7,295 | |
| Employee restricted shares | | 1,978 | |
| Profit attributable to ordinary shareholders plus assumed conversion of all dilutive potential ordinary shares | $ 1,276,988 | 476,531 | $ 2.68 |

(26) Operating leases

The Company leases land, office and equipment under non-cancellable operating lease agreements. The lease terms are between 2015 and 2026. Partial leases are charged extra rents following the changes of local price indexes. The Company recognised rental expenses of $60,659 and $55,047 for these leases in profit or loss for the years ended December 31, 2018 and 2017, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Not later than one year | $ 59,772 | $ 54,397 |
| Later than one year but not later than five years | 223,580 | 212,188 |
| Later than five years | 161,520 | 86,804 |
| | $ 444,872 | $ 353,389 |

(27) Supplemental cash flow information

Investing activities with partial cash payments :

| | Years ended December 31, 2018 | Years ended December 31, 2017 |
|---|---|---|
| Purchase of property, plant and equipment | $ 2,545,577 | $ 1,431,708 |
| Add: Opening balance of payable on equipment (shown as "Other payables") | 78,824 | 75,472 |
| Less: Ending balance of payable on equipment (shown as "Other payables") | ( 136,988) | ( 78,824) |
| Add: Ending balance of prepayments for equipment (shown as "Other non-current assets") | 11 | 25 |
| Less: Opening balance of prepayments for equipment (shown as "Other non-current assets") | ( 25) | - |
| Cash paid during the year | $ 2,487,399 | $ 1,428,381 |

(28) Changes in liabilities from financing activities

| | Short-term borrowings | Long-term borrowings (including current portion) | Liabilities from financing activities-gross |
|---|---|---|---|
| At January 1, 2018 | $ 300,000 | $ 4,252,046 | $ 4,552,046 |
| Changes in cash flow from financing activities | 50,000 | 87,616 | 137,616 |
| Impact of changes in foreign exchange rate | - | 23,606 | 23,606 |
| At December 31, 2018 | $ 350,000 | $ 4,363,268 | $ 4,713,268 |

7. RELATED PARTY TRANSACTIONS

(1) The Company's subsidiaries and relationship are listed below

| Names of related parties | Relationship with the Company |
|---|---|
| Sheng Tang Investment Ltd. | Direct-holding subsidiary |
| Valutek, Inc. | Direct-holding subsidiary |
| Valucom Investment, Inc. | Direct-holding subsidiary |
| Ardentec Singapore Pte. Ltd. | Direct-holding subsidiary |
| Ardentec Korea Co., Ltd. | Direct-holding subsidiary |
| Giga Solution Technology Co., Ltd. | Direct-holding subsidiary |
| Ardentec Semicomductor.,Ltd. | Direct-holding subsidiary |
| ValuTest Incorporated | Direct-holding subsidiary |
| Ardentec Nanjing Co., Ltd. | Direct-holding subsidiary |
| Etron Technology, Inc. and Subidiaries | The Company's chairman and the chairman of the company are within second degree of kinship. |
| MACRONIX INTERNATIONAL CO., LTD. | The company is a director of the Company. |
| Mega International Commercial Bank | The company is a supervisor of the Company (note). |
| Raytek Semiconductor, Inc. | Investments by the Company accounted for using the equity method |

Note：After the re-election held at the ordinary shareholders' meeting on June 28, 2017, Mega International Commercial Bank is no longer the Company's supervisor, and thus is no longer a related party to the Company. Transactions with Mega International Commercial Bank that occurred after the aforementioned date are not disclosed.

(2) Significant related party transactions

A. Operating revenue:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Sales of services: | | |
| Other related parties | $ 278,521 | $ 264,401 |
| Subsidiaries | 746 | 253 |
| | 279,267 | 264,654 |
| Other operating revenue: | | |
| Subsidiaries | 21,706 | 41,907 |
| | $ 300,973 | $ 306,561 |

(a) The price for the related parties is the same with general clients.

(b) The term of credit for the related parties is around 60~75 days after testing completion or delivery whereas the term of credit for third parties is around 30~120 days after testing completion or delivery.

B. Receivables from related parties:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Accounts receivable: | | |
| Other related parties | $ 76,721 | $ 75,250 |
| Subsidiaries | 1,549 | 2,530 |
| Subtotal | 78,270 | 77,780 |
| Other receivables: | | |
| Other related parties | 646 | 646 |
| Subsidiaries | 50,373 | 17,023 |
| Subtotal | 51,019 | 17,669 |
| Total | $ 129,289 | $ 95,449 |

C. Payables to related parties:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Other payables: | | |
| Other related parties | $ 32 | $ - |
| Subsidiaries | 7,022 | 33,330 |
| | $ 7,054 | $ 33,330 |

D. Prepayments:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Subsidiaries | $ 10 | $ - |

E. Rent expense:

| | 2018 | 2017 |
|---|---|---|
| Subsidiaries | $ 83,822 | $ 88,474 |

F. Loans from related parties (Mega International Commercial Bank) :

(a) Interest expense :

| | 2018 | 2017 |
|---|---|---|
| Other related party | $ - | $ 3,527 |

The loans from Mega International Commercial Bank are repayable in instalments during borrowing period up to August 6, 2020. For the year ended December 31, 2017, the interest rates were 1.55%~1.56% per annum.

G. Property transactions:

(a) Acquisition of property, plant and equipment:

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Subsidiaries | $ 22,975 | $ - |

(b) Disposal of property, plant and equipment:

| | Year ended December 31, 2018 | | Year ended December 31, 2017 | |
|---|---|---|---|---|
| | Disposal proceeds | Gain on disposal | Disposal proceeds | Gain on disposal |
| Subsidiaries | $ 123,485 | $ 58,815 | $ 168,024 | $ 43,731 |
| Other related party | 215 | 215 | - | - |
| | $ 123,700 | $ 59,030 | $ 168,024 | $ 43,731 |

For the years ended December 31, 2018 and 2017, the unrealised gain on disposal of property, plant and equipment to the subsidiaries amounting to $58,815 and $43,731, respectively were reclassified as realised gain in the amounts of $8,049 and $4,143 over their useful lives, respectively. As of December 31, 2018 and 2017, the balances of unrealised gain on disposal recorded as investments accounted for using equity method were $90,357 and $39,591, respectively.

H. Operating lease transactions

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Subsidiaries | $ 17 | $ 17 |
| Other related party | 7,384 | 9,026 |
| | $ 7,401 | $ 9,043 |

Rents are collected monthly from leases of offices and plants.

I. Other expenses :

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Subsidiaries | $ 8,185 | $ 16,024 |
| Other related party | 148 | 2,816 |
| | $ 8,333 | $ 18,840 |

J. Other revenue

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Subsidiaries | $ 1,151 | $ 552 |

(3) Key management compensation

| | Years ended December 31, | |
|---|---|---|
| | 2018 | 2017 |
| Salaries and other employee benefits | $ 156,230 | $ 131,236 |
| Post-employment benefits | 2,525 | 12,722 |
| Share-based payments | 27,964 | 4,441 |
| | $ 186,719 | $ 148,399 |

A. Salaries and other employee benefits include salaries, allowance, compensation, travelling expenses and remuneration for directors and supervisors. The amount of employees' compensation, remuneration for directors and supervisors, year-end bonuses are estimated whereas others are actually paid.

B. Post-employment benefits represents pension.

C. The share-based payments refers to the compensation cost of employee restricted shares.

8. PLEDGED ASSETS

The Company's assets pledged as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Pledged assets | December 31, 2018 | December 31, 2017 | Purpose |
| Time deposits (shown as "Financial assets at amortised cost"and "Other current assets") | $ 34,108 | $ 19,052 | Customs security deposit |
| Special reserve account for demand deposits | 25,966 | - | Certain land and buildings and structures are used to be the secondary collateral |
| Land | 269,786 | 653,698 | Secondary collateral for long-term borrowings |
| Buildings and structures | 398,492 | 942,029 | Secondary collateral for long-term borrowings |
| Machinery and equipment | 112,626 | 2,224,581 | Long-term loans |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Commitments

A. Operating lease commitments

Please refer to Note 6(26).

B. As of December 31, 2018 and 2017, the Company has unused letters of credit for the importation of machinery amounting to $63,856 and $97,108, respectively.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the debt to total assets ratio. This ratio is calculated as total loans divided by total assets. Total loans are calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) total assets are as shown in the balance sheet.

During the year ended December 31, 2018, the Company's strategy, which was unchanged from 2017, was to maintain the debt to total assets ratio within 35%. The debt to total assets ratio at

December 31, 2018 and 2017 were as follows:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Total borrowings | $ 4,713,268 | $ 4,552,046 |
| Total assets | $ 17,074,411 | $ 15,827,229 |
| Debt to total assets ratio | 28% | 29% |

(2) Financial instruments

A. Financial instruments by category

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Financial assets | | |
| Financial assets at fair value through profit or loss | | |
| Financial assets mandatorily measured at fair value through profit or loss | $ 3,510 | $ 3,753 |
| Financial assets at fair value through other comprehensive income | | |
| Designation of equity instrument | 472 | - |
| Available-for-sale financial assets | - | 4,175 |
| Financial assets at amortised cost | | |
| Cash and cash equivalents | 1,039,975 | 1,393,066 |
| Financial assets at amortised cost | 539,935 | - |
| Investments in debt instruments without active market | - | 371,227 |
| Notes receivable | - | 159 |
| Accounts receivable | 1,406,470 | 1,370,598 |
| Other receivables | 141,100 | 35,383 |
| Guarantee deposits paid | 14,834 | 15,219 |
| | $ 3,146,296 | $ 3,193,580 |

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Financial liabilities | | |
| Financial liabilities at fair value through profit or loss | | |
| Financial liabilities held for trading | $ - | $ 23,607 |
| Financial liabilities at amortised cost | | |
| Short-term borrowings | 350,000 | 300,000 |
| Notes payable | 810 | 810 |
| Other accounts payable | 925,296 | 774,489 |
| Long-term borrowings (including current portion) | 4,363,268 | 4,252,046 |
| Guarantee deposits received | 1,433 | 1,433 |
| | $ 5,640,807 | $ 5,352,385 |

B. Financial risk management policies

The Company identifies all the risks of the Company through monitoring of exchange rate, interest rate and credit management by the counterparties so that the management can effectively control and measure the market, credit and liquidity risks. The Company's objective in managing the market risk is to reach optimisation, maintain the proper liquidity and manage all market risks collectively by taking into account the economic environment, competitive edge and risk of market value.

To achieve the objective of risk management, the Company's hedging activity focus on risks of market value and cash flow.

To decrease the risk of fair value affected by the fluctuation of exchange rate, the Company hedges exchange risk of assets or liabilities counted in foreign currencies by means of forward exchange transaction.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

(i) The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

(ii) Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency. The group companies are required to hedge their entire foreign exchange risk exposure. To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward exchange contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

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

| | Year ended December 31, 2018 | | |
|---|---|---|---|
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 54,553 | 30.715 | $ 1,675,595 |
| JPY:NTD | 65,079 | 0.2782 | 18,105 |
| Non-monetary items | | | |
| USD:NTD | $ 61,007 | 30.715 | $ 1,873,830 |
| SGD:NTD | 67,738 | 22.48 | 1,522,750 |
| KRW:NTD | 14,822,133 | 0.02775 | 411,314 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 3,093 | 30.715 | $ 95,007 |
| JPY:NTD | 204,286 | 0.2782 | 56,832 |

| (Foreign currency: functional currency) | Year ended December 31, 2017 Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ 53,368 | 29.760 | $ 1,588,229 |
| JPY:NTD | 25,530 | 0.2642 | 6,745 |
| Non-monetary items | | | |
| USD:NTD | $ 54,725 | 29.760 | $ 1,628,616 |
| SGD:NTD | 60,788 | 22.26 | 1,353,141 |
| KRW:NTD | 13,762,636 | 0.02812 | 387,005 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ 11,149 | 29.760 | $ 331,051 |
| JPY:NTD | 123,176 | 0.2642 | 32,543 |

(iv) Please refer to the following table for the details of unrealised exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Company:

| | Year ended December 31, 2018 | | |
|---|---|---|---|
| | Unrealised exchange gain (loss) | | |
| (Foreign currency: functional currency) | Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ - | 30.715 | ($ 4,440) |
| JPY:NTD | - | 0.2282 | 292 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ - | 30.715 | ($ 1,028) |
| JPY:NTD | - | 0.2782 | ( 621) |

| (Foreign currency: functional currency) | Year ended December 31, 2017 Unrealised exchange gain (loss) Foreign currency amount (In thousands) | Exchange rate | Book value (NTD in thousands) |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | $ - | 29.760 | ($ 15,103) |
| JPY:NTD | - | 0.2642 | ( 47) |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | $ - | 29.760 | $ 24,736 |
| JPY:NTD | - | 0.2642 | 765 |

(v) Analysis of foreign currency market risk arising from significant foreign exchange variation:

| (Foreign currency functional currency) | Year ended December 31, 2018 Sensitivity analysis Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
|---|---|---|---|
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 16,756 | $ - |
| JPY:NTD | 1% | 181 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 950) | $ - |
| JPY:NTD | 1% | ( 568) | - |

| | Year ended December 31, 2017 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| (Foreign currency functional currency) | Degree of variation | Effect on profit or loss | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD:NTD | 1% | $ 15,882 | $ - |
| JPY:NTD | 1% | 67 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD:NTD | 1% | ($ 3,311) | $ - |
| JPY:NTD | 1% | ( 325) | - |

Price risk

i. The Company's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

ii. The Company's investments in equity securities comprise shares and open-end funds issued by the domestic companies. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the years ended December 31, 2018 and 2017 would have increased/decreased by $47 and $418, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value Interest rate risk

i. The Company's borrowings are measured at amortised cost. The borrowings are periodically contractually repriced and to that extent are also exposed to the risk of future changes in market interest rates.

ii. If the borrowing interest rate of NTD dollars had increased/decreased by 0.25% with all other variables held constant, profit, net of tax for the years ended December 31, 2018 and 2017 would have increased/decreased by $7,371 and $8,269, respectively. The main factor is that changes in interest expense result in floating-rate borrowings.

(b) Credit risk

Effective 2018

i. Credit risk refers to the risk of financial loss to the Company 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, and the contract cash flows of debt instruments stated at amortised cost, at fair value through profit or loss and at fair value through other comprehensive income.

ii. The Company manages their credit risk taking into consideration the entire group's concern. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. According to the Company's credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

iii. The default occurs when the contract payments transferred to overdue receivables because it may not be recovered.

iv. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

v. The Company classifies customers' accounts receivable in accordance with customer types and the historical and timely information to assess the default possibility of accounts receivable. On December 31, 2018, the Company recognised loss allowance amounting to $350.

vi. Credit risk information of 2017 is provided in Note 12(4).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Company and aggregated by Company treasury. Company treasury monitors rolling forecasts of the Company'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 Company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets.

ii. The Company has the following undrawn borrowing facilities:

| | December 31, 2018 | December 31, 2017 |
|---|---|---|
| Floating rate: | | |
| Expiring within one year | $ - | $ 1,380,000 |
| Expiring beyond one year | 4,800,000 | 1,940,000 |
| | $ 4,800,000 | $ 3,320,000 |

iii. The table below analyses the Company'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:

| December 31, 2018 | Less than 1 year | Between 1 year and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | $ 350,372 | $ - | $ - | $ - |
| Notes payable | 810 | - | - | - |
| Other payables | 925,296 | - | - | - |
| Long-term borrowings (including current portion) | 1,827,099 | 992,628 | 923,546 | 770,555 |
| Guarantee deposits received (shown as'other non-current liabilities') | 1,433 | - | - | - |

| December 31, 2017 | Less than 1 year | Between 1 year and 2 years | Between 2 and 3 years | Between 3 and 5 years |
|---|---|---|---|---|
| Non-derivative financial liabilities | | | | |
| Short-term borrowings | $ 300,357 | $ - | $ - | $ - |
| Notes payable | 810 | - | - | - |
| Other payables | 774,489 | - | - | - |
| Long-term borrowings (including current portion) | 1,302,548 | 1,026,754 | 712,570 | 1,371,690 |
| Guarantee deposits received (shown as'other non-current liabilities') | 1,433 | - | - | - |
| Derivative financial liabilities | | | | |
| Cross currency swap contracts | 23,607 | - | - | - |

(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. The fair value of the Company's investment in listed stocks is included in Level 1.

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 Company's investment in derivative instruments is included in Level 2.

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

B. The related information of financial and non-financial instruments measured at fair value by level
on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2018 and 2017 is as follows:

| December 31, 2018 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | $ 3,398 | $ 112 | $ - | $ 3,510 |
| Financial assets at fair value through other comprehensive income | 472 | - | - | 472 |
| | $ 3,870 | $ 112 | $ - | $ 3,982 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | $ - | $ - | $ - | $ - |

| December 31, 2017 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| Recurring fair value measurements | | | | |
| Financial assets at fair value through profit or loss | $ - | $ 3,753 | $ - | $ 3,753 |
| Available-for-sale financial assets | 4,175 | - | - | 4,175 |
| | $ 4,175 | $ 3,753 | $ - | $ 7,928 |
| Liabilities | | | | |
| Recurring fair value measurements | | | | |
| Financial liabilities at fair value through profit or loss | $ - | $ 23,607 | $ - | $ 23,607 |

C. The methods and assumptions the Company used to measure fair value are as follows:

(a) The instruments the Company used market quoted prices as their fair values (that is, Level 1), and the listed stocks use the closing price.

(b) Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance.

(c) When assessing non-standard and low-complexity financial instruments, for example, interest rate swap contracts and foreign exchange swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market. The forward exchange contracts are evaluated based on current forward exchange rate.

D. For the years ended December 31, 2018 and 2017, there was no transfer between Level 1 and Level 2.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017:

Please refer to Note 4 of 2018 parent company only financial statements for the significant accounting policies at December 31, 2017. Policies adopted in 2018 in accordance with IFRS 9 is provided in Note 4.

B. Reconciliation of financial assets

The reconciliations of carrying amount of financial assets transfered from December 31, 2017 under IAS 39, to January 1, 2018 under IFRS 9, were as follows:

| | Available-for-sale-equity | Measured at fair value through other comprehensive income-equity | Debt instrument without active market | Measured at amortised cost | Total | Effects: Retained earnings | Effects: Others equity |
|---|---|---|---|---|---|---|---|
| **IAS 39** | $ 4,175 | $ - | $ 371,227 | $ - | $ 375,402 | $ - | $ - |
| Transferred into and measured at fair value through other comprehensive income-equity | ( 4,175) | 4,175 | | | - | - | - |
| Transferred into and measured at amortised cost | - | - | ( 371,227) | 371,227 | - | - | - |
| **IFRS 9** | $ - | $ 4,175 | $ - | $ 371,227 | $ 375,402 | $ - | $ - |

(a) Under IAS 39, because the cash flows of debt instruments, which were classified as debt instruments without active market, amounting to $371,227, respectively, met the condition that it is intended to settle the principal and interest on the outstanding principal balance, they were reclassified as "financial assets at amortised cost" on initial application of IFRS 9.

(b) Under IAS 39, because the equity instruments, which were classified as available-for-sale financial assets, amounting to $4,175, respectively, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income (equity instruments)" on initial application of IFRS 9.

C. The description of the significant accounts

The significant accounts as of December 31, 2017 are as follows:

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

| Items | December 31, 2017 |
|---|---|
| Current items: | |
| Financial assets held for trading | |
| Derivative instruments | $ 3,753 |

i. The Company recognised net profit amounting to $26,384 on derivative financial assets for the year ended December 31, 2017.

ii. The derivative instruments transaction and contract information are as follows:

| | December 31, 2017 | | |
|---|---|---|---|
| Derivative instruments | Contract amount (in thousands) (notional principal) | | Contract period |
| Current items: | | | |
| Forward foreign exchange contracts | USD | 13,191 | 2017.12.04~ 2018.01.16 |
| Foreign exchange swap contracts | USD | 9,420 | 2017.04.11~ 2018.01.08 |

The Company entered into forward exchange and foreign exchange swap contracts, which are forward transactions in pre-sales or pre-order of US dollars, for the purpose of hedging
exchange risks arising from export proceeds and financing for importation of machinery. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(b)Available-for-sale financial assets

| Items | December 31, 2017 | |
|---|---|---|
| Current items: | | |
| Yuanta/P-shares Taiwan Top 50 ETF. | $ | 3,093 |
| CTBC Financial Holding Co., Ltd. | | 477 |
| Valuation adjustment | | 605 |
| | $ | 4,175 |

i. The Company recognised $532 in other comprehensive income for fair value change for the year ended December 31, 2017.

(c)Investments in debt instruments without active markets

| Items | December 31, 2017 |
|---|---|
| Current items: | |
| Time deposits-maturing in over three months | $ 371,227 |

i. As of December 31, 2017, the effective interest rate of the Company’s time deposits were 0.120%~1.015%.

ii. The Company’ did not pledge ‘current investments in debt instruments without active market’disclosed on balance sheet as collateral. For details about ‘current investments in debt instruments without active market’ pledged as collateral (shown as “Other current assets”),please refer to Note 8.

D. Credit risk information for the year ended December 31, 2017 are as follows :

(a) Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Company’s credit policy, each local entity in the Company is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set by the Sales and treasury department based on the comprehensive assessments of the client's financial positions and transactions. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

(b) The credit quality of accounts receivable that were neither past due nor impaired was in the following categories based on the Company's Credit Quality Control Policy:

| | December 31, 2017 |
|---|---|
| Group 1 | $ 12,144 |
| Group 2 | 162,056 |
| Group 3 | 186,943 |
| Group 4 | 967,416 |
| | $ 1,328,559 |

Group 1: New customers (less than 1 year from the first transaction).
Group 2: Existing customers with share capital less than $1 billion.
Group 3: Existing customers with share capital of $1 billion~ $10 billion.
Group 4: Existing customers with share capital exceeding $10 billion.

(c) The ageing analysis of financial assets that were past due but not impaired is as follows:

| | December 31, 2017 |
|---|---|
| Up to 30 days | $ 29,710 |
| 31 to 90 days | 9,914 |
| 91 to 180 days | 2,415 |
| | $ 42,039 |

The above ageing analysis was based on past due date.

(5) Effects of initial application of IFRS 15 and information on application of IAS 18 in 2017

A. Summary of significant accounting policies adopted in 2017:
Please refer to Note 4 of 2018 parent company only financial statements for the significant accounting policies applied on revenue recognition as at December 31, 2017. Policies adopted in 2018 in accordance with IFRS 15 is provided in Note 4.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017 are as follows:

| | Year ended December 31, 2017 |
|---|---|
| Service revenue | $ 5,791,802 |
| Other operating revenue | 103,306 |
| | $ 5,895,108 |

C. The effects and description of current financial statements if the Company continues adopting above accounting policies are as follows:
Customer services were rendered but not yet billed, which were previously presented as accounts receivable on the balance sheet, and are recognised as contract assets in accordance with IFRS 15 'Revenue from contracts with customers'. However, this difference would not

affect the Company’s consolidated financial statements.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

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

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 2.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 3.

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 NT$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: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Notes 6(2) and 6(12).

J. Significant inter-company transactions during the reporting periods: Please refer to table 5.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China)：Please refer to table 6.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 7.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

14. SEGMENT INFORMATION

Not applicable.

Ardentec Corporation

Loans to others

Year ended December 31, 2018

Table 1

Expressed in thousands of NTD

(Except as otherwise indicated)

| No. (Note1) | Credior | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2018 | Balance at December 31, 2018 | Actual amount drawn down | Interest rate | Nature of loan (Note 2) | Amount of transactions with the borrower | Reason for short-term financing | Allowance for doubtful accounts | Collateral Item | Collateral Value | Limit on loans granted to a single party (Note 3) | Ceiling on total loans granted (Note 3) | Remark |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Ardentec Singapore Pte. Ltd. | Ardentec Nanjing Co., Ltd. | Receivables-Related Party | Yes | $ 307,150 | $ 307,150 | $ 184,290 | 2.50% | 2 | $ - | Operational turnover | $ - | - | $ - | $ 550,135 | $ 1,522,753 | |

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1)The company is "0".

(2)The subsidiaries are numbered in order starting from "1".

Note 2: Relationship with the borrower is classfied into the following categories:

(1)The borrower having business relationship is numbered as "1".

(2)The borrower having the needs of short-term financing is numbered as "2".

Note 3: For Ardentec Singapore Pte. Ltd.’s short-term financing, the individual limit amount should not be in excess of 5% of the parent company’s net assets and the accumulated financing activities to those borrowers should not be in excess of 20% of the parent company’s net assets.Ceiling on individual loans granted to all direct or indirect wholly-owned overseas subsidiaries of the parent company is 100% of the Ardentec Singapore Pte. Ltd.’s net assets.

Ardentec Corporation

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

Year ended December 31, 2018

Table 2 Expressed in thousands of NTD

(Except as otherwise indicated)

| Securities held by | Marketable securities（Note 1） | Relationship with the securities issuer （Note 2） | General ledger account | As of December 31, 2018 Number of shares | Book value （Note 3） | Ownership (%) | Fair value | Footnote （Note 4） |
|---|---|---|---|---|---|---|---|---|
| Ardentec Corp. | Yuanta/P-shares Taiwan Top 50 ETF. | None | Financial assets at fair value through profit or loss - current | 45,000 | 3,398 | 0.0048% | 3,398 | None |
| Ardentec Corp. | CTBC Financial Holding Co., Ltd.stock | None | Current financial assets at fair value through other comprehensive income | 23,349 | 472 | 0.0001% | 472 | None |
| Sheng Tang Investment Ltd. | Ardentec Corp. stock | Parent company | Non-current financial assets at fair value through other comprehensive income | 278,342 | 7,237 | 0.06% | 7,237 | Note 5 |
| Sheng Tang Investment Ltd. | Gapertise Inc.stock | None | Financial assets at fair value through profit or loss - non-current | 350,000 | - | 5.09% | - | None |
| Valutek, Inc. | Ardentec Corp. stock | Parent company | Non-current financial assets at fair value through other comprehensive income | 15,972,408 | 415,283 | 3.26% | 415,283 | Note 5 |
| Valutek, Inc. | Great Team backend Foundry, Inc. stock | None | Non-current financial assets at fair value through other comprehensive income | 6,000,000 | 89,640 | 6.57% | 89,640 | None |

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities, in accordance with IFRS39.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

Note 5:It is recognised as treasury shares of Ardentec Corp..

Ardentec Corporation

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2018

Table 3

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Marketable securities | General ledger account | Counterparty | Relationship with the investor | Balance as at January 1, 2018 | | Addition | | Disposal | | | | Balance as at December 31, 2018 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of shares | Amount | Number of shares | Amount | Number of shares | Selling price | Book value | Gain (loss) on disposal | Number of shares | Amount (Note 2) |
| Ardentec Corp. | Valucom Investment, Inc. | Investments accounted for using equity method | (Note 1) | Subsidiary | 28,076 | $ 833,464 | 17,000 | $ 502,085 | - | $ - | $ - | $ - | 45,076 | $ 1,218,398 |
| Valucom Investment, Inc. | ValuTest Incorporated | Investments accounted for using equity method | (Note 1) | Subsidiary | 28,000 | 832,381 | 17,000 | 502,085 | - | - | - | - | 45,000 | 1,217,342 |
| ValuTest Incorporated | Ardentec Nanjing Co., Ltd. | Investments accounted for using equity method | (Note 1) | Subsidiary | - | 832,381 | - | 502,085 | - | - | - | - | - | 1,217,342 |

(Note 1) Capital increase by cash

(Note 2) Investments accounted for using equity method was included the gain (loss) of investments accounted for using equity method and financial statements translation of foreign operations.

Ardentec Corporation

Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more

Year ended December 31, 2018

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

| | | | Transaction | | | | Differences in transaction terms compared to third party transactions | | Notes/accounts receivable (payable) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Purchaser/seller | Counterparty | Relationship with the counterparty | Purchases (sales) | Amount | Percentage of total purchases (sales) | Credit term | Unit price | Credit term | Balance | Percentage of total notes/accounts receivable (payable) | Footnote |
| Ardentec Corp. | MACRONIX INTERNATIONAL CO., LTD | The director of the Company | Sales | $ 275,173 | 4.25% | 75 days | N/A | N/A | $ 76,178 | 5.42% | |

Ardentec Corporation

Significant inter-company transactions during the reporting periods

Year ended December 31, 2018

Table 5

Expressed in thousands of NTD

(Except as otherwise indicated)

| Number (Note 1) | Company name | Counterparty | Relationship (Note 2) | Transaction: General ledger account | Transaction: Amount | Transaction: Transaction terms | Transaction: Percentage of consolidated total operating revenues or total assets (Note 3) |
|---|---|---|---|---|---|---|---|
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Production equipment | $ 14,820 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Other operating revenue | 7,794 | According to regular transactional term | 0.09% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Rent expense | 7,149 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Korea Co., Ltd. | 1 | Accounts receivable | 1,298 | According to regular transactional term | 0.01% |
| 0 | Ardentec Corp. | Ardentec Nanjing Co., Ltd. | 1 | Other receivable | 13,515 | According to regular transactional term | 0.08% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Production equipment | 8,155 | According to regular transactional term | 0.05% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other receivable | 5,867 | According to regular transactional term | 0.03% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other accounts receivable | 36,858 | According to regular transactional term | 0.21% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Other operating revenue | 13,100 | According to regular transactional term | 0.16% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Rent expense | 76,148 | According to regular transactional term | 0.90% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Gain on disposal of fixed assets | 11,531 | According to regular transactional term | 0.14% |
| 0 | Ardentec Corp. | Ardentec Singapore Pte.Ltd. | 1 | Loss on disposal of fixed assets | 3,482 | According to regular transactional term | 0.04% |
| 0 | Ardentec Corp. | Valutek, Inc. | 1 | Directors' and supervisors' remuneration | 1,702 | According to regular transactional term | 0.02% |
| 0 | Ardentec Corp. | Giga Solution Technology Co., Ltd. | 1 | Miscellaneous income | 1,139 | According to regular transactional term | 0.01% |
| 0 | Ardentec Corp. | Giga Solution Technology Co., Ltd. | 1 | Processing fees | 3,162 | According to regular transactional term | 0.04% |
| 0 | Ardentec Corp. | Shang Tang Investment Ltd. | 1 | Directors' and supervisors' remuneration | 3,322 | According to regular transactional term | 0.04% |
| 1 | Ardentec Singapore Pte.Ltd. | Ardentec Korea Co., Ltd. | 3 | Other operating revenue | 2,500 | According to regular transactional term | 0.03% |
| 3 | Ardentec Singapore Pte.Ltd. | Ardentec Nanjing Co., Ltd. | 3 | Interest income | 3,719 | According to regular transactional term | 0.04% |
| 3 | Ardentec Singapore Pte.Ltd. | Ardentec Nanjing Co., Ltd. | 3 | Other accounts receivable | 184,290 | According to regular transactional term | 1.04% |

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1) Parent company is '0'.

(2) The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the year to consolidated total operating revenues for income statement accounts.

Note 4: Only expose the amount of more than one million transactions.

Ardentec Corporation

Information on investees(Does not include Mainland China invested companies)

Year ended December 31, 2018

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investor | Investee（Notes 1 and 2） | Location | Main business activities | Initial investment amount: Balance as at December 31, 2018 | Initial investment amount: Balance as at December 31, 2017 | Shares held and book value as at December 31, 2018: Number of shares | Shares held and book value as at December 31, 2018: Ownership (%) | Shares held and book value as at December 31, 2018: Book value | Net profit (loss) of the investee for the year ended December 31, 2018（Note 2(2)） | Investment income (loss) recognised by the Company for the year ended December 31, 2018（Note 2(3)） | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ardentec Corp. | Sheng Tang Investment Ltd. | Taiwan | General Investment | $ 40,000 | $ 40,000 | - | 100 | $ 32,435 | $ 1,070 | $ 611 | Subsidiary |
| Ardentec Corp. | Valutek, Inc. | British Virgin Islands | General Investment | 149,558 | 149,558 | 4,870 | 100 | 238,910 | 23,964 | ( 2,369) | Subsidiary |
| Ardentec Corp. | Valucom Investment, Inc. | British Virgin Islands | General Investment | 1,381,850 | 879,765 | 45,076 | 100 | 1,218,398 | ( 70,402) | ( 70,402) | Subsidiary |
| Ardentec Corp. | Ardentec Singapore Pte.Ltd. | Singapore | Provider of test and assembly services | 1,136,040 | 1,136,040 | 52,500,000 | 100 | 1,443,852 | 155,615 | 153,251 | Subsidiary |
| Ardentec Corp. | Ardentec Korea Co., Ltd. | South Korea | Electronic integrated circuits, diodes, transistors and similar semiconductor devices/Semiconductor and integrated circuit devices testing and | 941,664 | 941,664 | 7,016,000 | 100 | 397,181 | 29,226 | 15,093 | Subsidiary |
| Ardentec Corp. | Raytek Semiconductor, Inc. | Taiwan | Packaging of wafers and integrated circuits | 348,000 | 348,000 | 29,000,000 | 31.3 | 231,349 | ( 201,155) | ( 62,954) | Associate |
| Ardentec Corp. | Giga Solution Technology Co., Ltd. | Taiwan | Testing of integrated circuits, modules and components | 2,892,821 | 2,892,821 | 120,580,539 | 100 | 2,650,443 | 60,188 | 30,550 | Subsidiary |
| Sheng Tang Investment Ltd. | Ardentec Semicomductor.,Ltd. | Taiwan | Manufacturing of electronic components | 20,000 | 20,000 | - | 100 | 18,666 | ( 35) | - | Indirect subsidiary |
| Valucom Investment, Inc. | ValuTest Incorporated | British Virgin Islands | General Investment | 1,356,605 | 854,520 | 45,000 | 100 | 1,217,342 | ( 70,375) | - | Indirect subsidiary |

Note 1: If a public company is equipped with an overseas holding company and takes consolidated financial report as the main financial report according to the local law rules, it can only disclose the information of the overseas holding company about the disclosure of related overseas investee information.

Note 2: If situation does not belong to Note 1, fill in the columns according to the following regulations:

(1) The columns of 'Investee', 'Location', 'Main business activities', Initial investment amount' and 'Shares held and book value as at December 31, 2018' should fill orderly in the Company's information on investees and every directly or indirectly controlled investee's investment information, and note the relationship between the Company and its investee each (ex. direct subsidiary or indirect subsidiary) in the 'footnote' column.

(2) The 'Net profit (loss) of the investee for the year ended Deecember 31, 2018' column should fill in amount of net profit (loss) of the investee for this year.

(3) The 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column should fill in the Company recognised investment income (loss) of its direct subsidiary and recognised investment income (loss) of its investee accounted for under the equity method for this year. When filling in recognised investment income (loss) of its direct subsidiary, the Company should confirm that direct subsidiary's net profit (loss) for this year has included its investment income (loss) which shall be recognised by regulations.

Ardentec Corporation

Information on investments in Mainland China

Year ended December 31, 2018

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

| Investee in Mainland China | Main business activities | Paid-in capital (Note 3) | Investment method (Note 1) | Accumulated amount remitted from Taiwan to Mainland China as of January 1, 2018 | Amount remitted from Taiwan to Mainland China / Amount remitted back to Taiwan for the year ended December 31, 2018 | | Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2018 | Net income of investee for the year ended December 31, 2018 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2018 (Note 2) | Book value of investments in Mainland China as of December 31, 2018 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2018 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| Great Team Backend Foundry (DonGuan), Ltd. | Manufacturing and sales of new electronic components | $ 2,648,669 | 3 | $ 89,640 | $ - | $ - | $ 89,640 | $ 29,509 | 6.57% | N/A | $ 89,640 | $ - | Note 4 |
| Ardentec Nanjing Co., Ltd. | Semiconductor testing, research, and development | 1,356,605 | 2 | 854,520 | 502,085 | - | 1,356,605 | ( 70,342) | 100% | ( 70,342) | 1,217,342 | - | Note 5 |

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

(1) Directly invest in a company in Mainland China.

(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.

(3) Others

Note 2: In the 'Investment income (loss) recognised by the Company for the year ended December 31, 2018' column:

(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this year.

(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:

A. Financial statements that are audited by an international accounting firm that has a partnership with an accounting firm in the Republic of China.

B. Financial statements that are audited or reviewed by the auditor of the parent company in Taiwan.

C. Financial statements that are not reviewed by the independent accountants.

Note 3: The ending balances of paid-in capital of the investees, Great Team Backend Foundry (DonGuan) Ltd. and Ardentec Nanjing Co., Ltd., in the original currency are US$83,686 thousand and US$28,000 thousand, respectively.

Note 4:Ardentec Corp. increased investment in Valutek, Inc. by US$1,200 thousand in cash, and Valutek, Inc. reinvested with US$3,000 thousand.

Note 5: Ardentec Corporation increased the capital of subsidiary, Valucom Investment, Inc., by US$28,000 thousand; Valucom Investment, Inc. then invested the same amount in ValuTest Incorporated, which invested the same amount in Ardentec Nanjing Co., Ltd..

Note 6: The numbers in this table are expressed in New Taiwan Dollars.

Note 7:At the end of this period, the investment amount transmitted from Taiwan to mainland China was US$31,000 thousand counted with original currency. The investment amount permitted by the Investment Commission of Ministry of Economic Affairs(MOEA) , was US$48,000 thousand counted with original currency.

Note 8: In accordance with "Regulations Governing the Permission of Investment or Technical Cooperation in Mainland Area", Ardentec Corp. obtained an operational headquarter certification issued by the Industrial Development Bureau, Ministry of Economic Affairs, and Ardentec Corp.'s investments in Mainland China are not limited based on Jing-Shou-Gong-Zi Letter. No. 106020407320 of MOEA.

| Company name | Accumulated amount remitted from Taiwan to Mainland China as of December 31, 2018 | Investment amount approved by the Investment Commission of the Ministry of MOEA | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA |
|---|---|---|---|
| Ardentec Corp. | $ 1,446,245 | $ 1,540,890 | Note 8 |

VI. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report, including their impact on the financial status of the Company: None.

# Chapter 7 Financial Position, Financial Performance and Risk Analysis

I. Financial summary

Review and analysis of financial status

Unit: Thousand NTD

| Item \ Year | 2017/12/31 | 2018/12/31 | Difference | |
|---|---|---|---|---|
| | | | Amount | Variable ratio |
| Current assets | 5,876,722 | 5,484,901 | (391,821) | (6.67%) |
| Property, plant and equipment | 9,138,047 | 10,853,806 | 1,715,759 | 18.78% |
| Investments recognized under the equity method | 294,303 | 231,349 | (62,954) | (21.39%) |
| Intangible assets | 618,079 | 629,693 | 11,614 | 1.88% |
| Other non-current assets | 349,301 | 463,671 | 114,370 | 32.74% |
| **Total assets** | 16,276,452 | 17,663,420 | 1,386,968 | 8.52% |
| Current liabilities | 2,916,521 | 3,828,372 | 911,851 | 31.27% |
| Non-current liabilities | 3,182,192 | 2,832,348 | (349,844) | (10.99%) |
| **Total liabilities** | 6,098,713 | 6,660,720 | 562,007 | 9.22% |
| Capital Stock | 4,900,361 | 4,903,252 | 2,891 | 0.06% |
| Capital surplus | 1,250,932 | 1,284,154 | 33,222 | 2.66% |
| Retained earnings | 4,265,965 | 4,999,822 | 733,857 | 17.20% |
| Other interests | (112,747) | (57,756) | 54,991 | (48.77%) |
| Treasury stock | (126,772) | (126,772) | — | — |
| Non-controlling interests | — | — | — | — |
| **Total equity** | 10,177,739 | 11,002,700 | 824,961 | 8.11% |

Differences of over 20% during the period amounting to more than 10 million NTD; The main reason and analysis of its impact are detailed below:

1. Reduction in investments recognized under the equity method: Mainly due to the recognition of investment losses under the equity method.
2. Increase of other non-current assets: Mainly due to increase of land leases.
3. Increase in current liabilities: Mainly due to increase in short-term borrowings, the current portion of long-term borrowings being listed as current liabilities, as well as increase in amount payable due to purchase of property, plant and equipment.
4. Increase in other interests: Mainly due to the amortization of restricted stock awards into compensation costs.

Note: The financial information is this table is based on the consolidated financial statement.

II. Financial performance

(I) Review and analysis of financial performance

Unit: Thousand NTD

| Item \ Year | 2017 | 2018 | Change (amount) | Variable ratio |
|---|---|---|---|---|
| Revenues | 7,860,015 | 8,443,804 | 583,789 | 7.43% |
| Cost of goods sold | (5,402,374) | (5,602,652) | (200,278) | 3.71% |
| Gross profit | 2,457,641 | 2,841,152 | 383,511 | 15.60% |
| Operating expenses | (839,323) | (1,003,221) | (163,898) | 19.53% |
| Net operating profit | 1,618,318 | 1,837,931 | 219,613 | 13.57% |
| Non-operating revenues and expenses | (80,894) | 143,303 | 224,197 | (277.15%) |
| Net income before tax | 1,537,424 | 1,981,234 | 443,810 | 28.87% |
| Income tax expense | (269,853) | (432,692) | (162,839) | 60.34% |
| Cumulative effect of accounting principle changes | — | — | — | — |
| Net profit (loss) for current term | 1,267,571 | 1,548,542 | 280,971 | 22.17% |

Analysis of changes:

1. Revenues, gross profit, operating expenses, net operating profit: Business expansion and cost control led to an increase in revenues, gross profit, operating expenses and net operating profits.
2. Non-operating revenues and expenses: Changes in the exchange rate led to a large decrease in net losses from foreign currency exchange. Increase in gains from disposal of equipment and income from subsidies led to an increase in non-operating revenues.
3. Net income before tax, net profit of the term: Revenues increased far more than operating costs during this period as well as a large increase in non-operating revenues contributed to an increase in net income before tax and net profit of the term compared to the previous term.
4. Income tax expenses: Increase in net income before tax in the current term led to an increase in income tax expenses as well.

Note: The financial information is this table is based on the consolidated financial statement.

(II) Sales forecast and its basis

World Semiconductor Trade Statistics (WSTS) reported that the global semiconductor market grew by 13.7% between 2017 and 2018 to reach total sales of 468.8 billion USD. Market research firms expect semiconductor growth to hover between 2 ~ -1% in 2019 mainly due to over-supply in the memory-market and uncertainty in international economy. From market demand and trend it's expected that 5G communications, high-speed computing, AI, IoT, and electric vehicles will continue to drive semiconductor demand. Howerer to the US-China trade war has led to international economic uncertainty and conservative demand in the end-user market. All the international industry research firms were therefore quite conservative on the industry outlook for 2019. We will continue to be prudent with our investments, maintain robust management practices, refine our customer services and enhance our competitiveness. Continuous improvements in quality will give Ardentec an edge over our competitors so that we can continue to maximize profits for customers, shareholders, and employees.

(III) Potential impact on the Company's future financial operations and response plans

In addition to continuing to strengthen our business with existing customers, Ardentec and subsidiaries are also actively developing new customers. Significant gains have been made in different areas and regions. As for testing products, we are now moving beyond the existing wafer sort and final test businesses into wafer grinding, trimming, and tape packaging to provide customers with enhanced services such as better quality assurance and shorter production cycles. The debt ratio in 2018 was 37.71% so there is still a great deal of room for additional financing to meet an increase in capital expenditure.

III. Cash flows

(I) Analysis on the cash flow changes of the current year

Unit: Thousand NTD

| Cash balance at beginning of year (1) | Annual net cash flow from operating activities (2) | Cash outflow due to investing and financing activities (3) | Cash surplus (deficit) (1)+(2)-(3) | Remedial measures for cash deficit | |
|---|---|---|---|---|---|
| | | | | Investment plans | Financing plans |
| 3,229,348 | 3,615,223 | 5,000,864 | 1,843,707 | — | — |

| Analysis on the cash flow changes: |
| --- |
| 1. Net cash inflow from operating activities was mainly due to operating profits in 2018 as well as the inflow from depreciation and amortization for non-cash expenses.<br>2. Net cash outflow from investing activities was mainly due to capital expenditure.<br>3. Net cash outflow from financing activities was mainly due to the distribution of cash dividend and repayment of bank borrowings. |

(II) Improvement plan for inadequate liquidity: Ardentec does not have inadequate liquidity.

(III) Cash flow analysis for the coming year

Unit: Thousand NTD

| Estimated cash balance, beginning (1) | Anticipated annual net cash flow from operating activities (2) | Anticipated annual net cash flow due to investing and financing activities (3) | Anticipated cash surplus (deficit) (1)+(2)-(3) | Remedial measures for expected cash deficit | |
| --- | --- | --- | --- | --- | --- |
| | | | | Investment plans | Financing plans |
| 1,843,707 | 3,952,511 | 4,055,688 | 1,740,530 | － | － |

Description:

(1) Net cash inflow from operating activities was mainly due to expected operating profits as well as the inflow from of depreciation and amortization for non-cash expenses.

(2) Net cash outflow from investing activities was mainly due to expected capital expenditure and investment.

(3) Net cash outflow from financing activities was mainly due to the expected distribution of cash dividend and repayment of bank borrowings.

(4) Remedial action for anticipated cash deficit and liquidity analysis: None.

IV. Effect of significant capital expenditures on financial operations in the recent year

(I) Major capital spending and source of capital

Unit: Thousand NTD

| Project task | Actual or expected source of funds | Actual or expected date of completion | Total amount of funds required | Actual or planned utilization of funds | | |
| --- | --- | --- | --- | --- | --- | --- |
| | | | | 2018 | 2019 | 2020 |
| Acquisition of property, plant and equipment | Own funds and bank loans | December 2019 | 6,855,608 | 3,793,387 | 3,062,221 | － |

(II) Anticipated benefit

1. Expected to increase production, sales, value and margins

Mainly for the purchase of additional machinery and plant equipment to increase production and satisfy customer requirements.

2. Explanation of other benefits (e.g. product quality, pollution prevention, cost reduction): None.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

Ardentec engages in re-investment based on the equity method. We invest in companies in related fields in support of our business strategy. Most of the companies we invest in are consolidated entities on financial statements. Investment losses suffered by Ardentec according to the equity method amounted to 62,954,000 NTD in 2018 and were mainly due to industry competition or the preliminary phase of investment. Ardentec will continue to invest and manage our costs in accordance with the pre-determined business strategy over the coming year.

VI. Risk analysis for the most recent year and up to the date of report publication

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures

1. Impact on company profit and loss

Unit: Thousand NTD

| Item | 2018 | |
|---|---|---|
| | Net interest received (paid) | Net exchange gains (losses) |
| Amount | (45,248) | (17,117) |
| Ratio of net revenues | (0.54%) | (0.20%) |
| Ratio of net profit before tax | (2.28%) | (0.86%) |

(1) Interest rate changes

The financing market is still favorable due to low interest rates. Ardentec and subsidiaries regularly evaluate the interest rates of bank loans and in order to negotiate rates and terms with the banks. Interest paid by Ardentec on long and short-term borrowings account for a relatively small ratio of our total assets.

Changes in interest rates are therefore unlikely to have a major impact on the overall operations of Ardentec and subsidiaries.

(2) Exchange rate changes

Due to the nature of our industry, capital expenditures are planned by Ardentec and subsidiaries every year. Most of the machinery and equipment purchases come from US and Japanese vendors. Export sales by Ardentec and subsidiaries are generally paid in USD as well so these are retained in order to pay for the import of machinery. Natural hedging is therefore used to mitigate some of the risks from changing exchange rates. A conservative risk management policy has been adopted for excess foreign currency. Financial hedging product purchased to avoid the risks due to exchange rate changes.

(3) Inflation

Depreciation costs account for a relatively high proportion of Ardentec and subsidiaries' operating costs. Depreciation costs are however not affected by inflation. Revenue will actually increase with inflation so there is little impact to Ardentec and subsidiaries.

2. Future response measures

(1) Response to interest rate changes

The funds borrowed by Ardentec and subsidiaries are financial products with variable rates. Changes in the market interest rate will therefore change the effective interest rate of bonds as well leading to fluctuations in future cash flow. Ardentec and subsidiaries regularly evaluate the cash flow risks created by changes in the interest rate in accordance with our risk management policy. We therefore don't expect any major cash flow risks.

(2) Response to exchange rate changes

a. Dedicated financial personnel liaise with the financial institutions we do business with and collect related information on exchange rate trends and changes. The impact of currency fluctuations will hopefully be avoided.

b. The financial unit regularly manages our position on foreign exchange and purchase hedging instruments from our business bank in order to avoid exchange risks generated by the business. The relevant transactions are conducted in accordance with the Ardentec "Procedure for Engaging in Derivative Product Trading."

(3) Inflation and response measures

Ardentec and subsidiaries are wafer sort service providers and our costs are not linked to the purchase of raw materials. The impact of inflation on capital expenditure is regularly evaluated by Ardentec and subsidiaries based on management performance. No serious impact is expected.

(II) Policies, main causes of gain or loss and future response measures with respect to high-risk, high-leveraged investments, lending or endorsement guarantees, and derivatives transactions

Ardentec and subsidiaries do not engage in high-risk, high-leveraged investments. Guarantees and lending to third-parties are limited to wholly owned investment subsidiaries as well. Ardentec does not provide guarantees or loans to other companies. In the future, Ardentec will continue to adhere to the relevant regulations and responses laid out in "Endorsement Guarantee Procedure" and "Third-party Lending Procedure." All trading of derivative products are conducted in accordance with the "Procedure for Engaging in Derivative Product Trading." Risks are therefore under control and there are no serious negatives.

(III) Future R&D Programs and Expected R&D Investment

R&D at Ardentec and subsidiaries follow two main directions - testing technology and automation technology. In addition to improving our own technical capabilities, we can also use it to boost productivity, lower costs and improve product quality. The R&D spending required corresponds to operating income and accounted for approximately 3% ~ 5% of operating revenues.

1. Ardentec

Unit: Million NTD

| Annual Plan | Current Progress | Estimated time of completion | R&D funding from re-investment (2019) | Key factors to future R&D successes |
|---|---|---|---|---|
| Wide Band Gap power component testing technology | Development of basic testing technology has been completed and a second type of tester will be introduced shortly. The goal is to increase high parallelism and make more precise predictions. The technology has been validated and will soon enter mass production. | December 2019 | 2 | Control of R&D talent |
| Application of RFID to test jig technology | Technology for use with wafer cassette packaging has now finished development and is now in trial. Development of technologies related to Probe Card started. | December 2020 | 2 | Control of R&D talent |
| Development of AI IC test technology | Testing prototypes have been developed for both types of IC testing technology in phase 1. | December 2021 | 2 | Control of R&D talent |
| 5-Year plan for development of smart production technology | Automation of the UF3000 prober in conjunction with UFlex and J750 testers is at the mass production phase. Technical validation for OPUS, the second prober model, will be completed soon. | December 2021 | 4 | Control of software development talent |

2. Giga Solution

(1) Development of testing technology for 100G Data Center applications.

(2) Small EMI sputtering shield package RF test with integrated 6S inspection development

(3) Introduction of On Package 2D bar code testing and record system technology.

(4) Development of testing system for 60W high-power GaN RF signal switch IC.

(5) Testing and validation service for GaN high-power wafers.

(6) RF HTOL IC life cycle testing equipment (extend frequency from 3GHz to 6GHz).

(7) Development of 5G mmW (28~40GHz) small cell front end IC test system (extend the DEVM and OTA Functions for AiP). mmW Beam forming front end IC & phase array IC

(8) 5G mmW TRx IC test development co-work with Global Foundry。

(9) Development of multi-function modules for high-frequency and high-power testing.

(10) Design of high frequency test jigs and test boards.

R&D spending will be kept within 5% of operating revenues in the future.

(IV) Major changes in government policies and laws at home and broad, the impact on Company finance and business, and response measures

The Company also has a Legal Office in place to monitor changes in local and foreign regulations, and to manage patents that are relevant to the Company's operations. In addition, the Company has implemented "Regulatory Identification Procedures" to help identify laws that are relevant to its businesses. Each department is required to conduct its own regulatory compliance assessments on a regular basis, and adjust their activities to conform with the Company's internal control system if need be, and thereby ensure the legitimacy of the Company's operations at all times.

(V) Impact of recent technological changes on the Company's finance and business, and response measures

No new products capable of replacing IC on price and quality have yet appeared in recent years. Foundries and major semiconductor component makers are all increasing the percentage of wafer testing they outsource as well. In addition to providing major semiconductor component makers, foundries and design houses with professional wafer testing services, Ardentec and subsidiaries are also monitoring technological developments and taking action when necessary to ensure that company finances are not seriously affected.

(VI) Impact of corporate image change on risk management and response measures

Ardentec and subsidiaries enjoy a positive image due to our business policy of honesty and reliability. We have not experienced business crisises due to major changes in recent years.

(VII) The expected benefits and possible risks of mergers and acquisitions as well as the responding measures: None.

(VIII) Expected benefits and possible risks of factory expansions as well as the response measures

Please refer to 4. Effect of major capital spending on financial position and business operation in the past year.

(IX) Risks associated with over-concentration in purchase or sales, and response measures

(1) Risks associated with over-concentration in purchase, and response measures

Ardentec and our subsidiaries are in the technical services sector (specialized testing company) of the IC industry so there are no primary raw materials and no risk of over-concentration in purchasing.

(2) Risks associated with over-concentration in sales, and response measures

In the last three years, Ardentec and subsidiaries' largest customers accounted 16% (2018), 17% (2017) and 22% (2016) of overall sales. In addition to maintaining our existing customer base through the provision of quality services, we are also actively developing new leads to avoid the risk of over-concentration in sales.

(X) Impact of mass transfer of equity by or change of directors, supervisors, or shareholders holding more than 10% interest on the Company, associated risks and response measures: None.

(XI) The effects that change in management has on the Company as well as risk and responding measures: None.

(XII) For litigation or non-litigation events, please state the outcomes of concluded or pending litigious, non-litigious, or administrative litigation events involving the Company and the Company's directors, supervisors, general manager, de facto responsible person, major shareholders holding more than 10% interest, or subsidiary of the Company, if the outcomes may have a major impact on shareholder interests or the value of securities then the relevant facts, amount involved, starting date of litigation, the main litigants and status as of the date of publication for the annual report: None.

(XIII) Other significant risks and response measures:

(1) Information security risk assessment and analysis, and response measures

An "Information Security Committee" has been established by Ardentec to develop a variety of information protection measures such as the "Information Security Policy" and "Information Security Manual." The measures represent Ardentec's commitment to information and infrastructure security. An effective management review mechanism has been put into place and management review is conducted by the Committee every six months. Improvements are continuously made in a fast-changing environment to fulfill the goal of information security.

Systems and products also completed their regular information security certification for ISO 27001 and ISO 15408 (Common Criteria EAL 6) on schedule.

All employees undergo information security training courses every year and possess excellent information security awareness. Proper compliance and implementation of information security regulations and requirements ensure the security of company/customer information and facilities.

The internal control system of Ardentec includes a chapter dedicated to "Computer Operation Cycle" and personal data protection management procedures. Information security audits are conducted every year by the internal audit unit and continuous improvements made to ensure the effectiveness of the information security management system.

We know that you can never be fully prepared when it comes to information security. We therefore continue to disclose and take corrective action against risks identified by our longstanding internal assessment. Information security risk assessment, analysis, and response measures for 2018:

Risk 1: Information leak: The leaking of company information through proper or improper channels

In response to this risk, important information are encrypted to protect the information itself and to strengthen control over user access, access method, access logs and access channels. Supplementary measures include restrictions on access equipment (e.g. Computers, printers, mobile phones). Particular emphasis is given to the management of emerging technologies such as portable storage devices, portable storage media and wireless networking to reduce the risk of leaks.

Risk 2: Malicious code: Malicious programs attacking from the Internet or portable storage devices

Response measures taken against this risk include active monitoring of changes in the overall environment, industry developments, increasing the information security awareness of employees, as well as responding to and reporting of information security incidents. On the technical front, Ardentec imposed controls on the use of portable storage devices identified in Risk 1. Network intrusion detection and protection systems as well as device-side protection systems have also been rolled out across the Company and regularly updated.

We will continue to comply with the law and make information security systems our top priority to ensure that we deliver on our commitment to customers and society on information security.

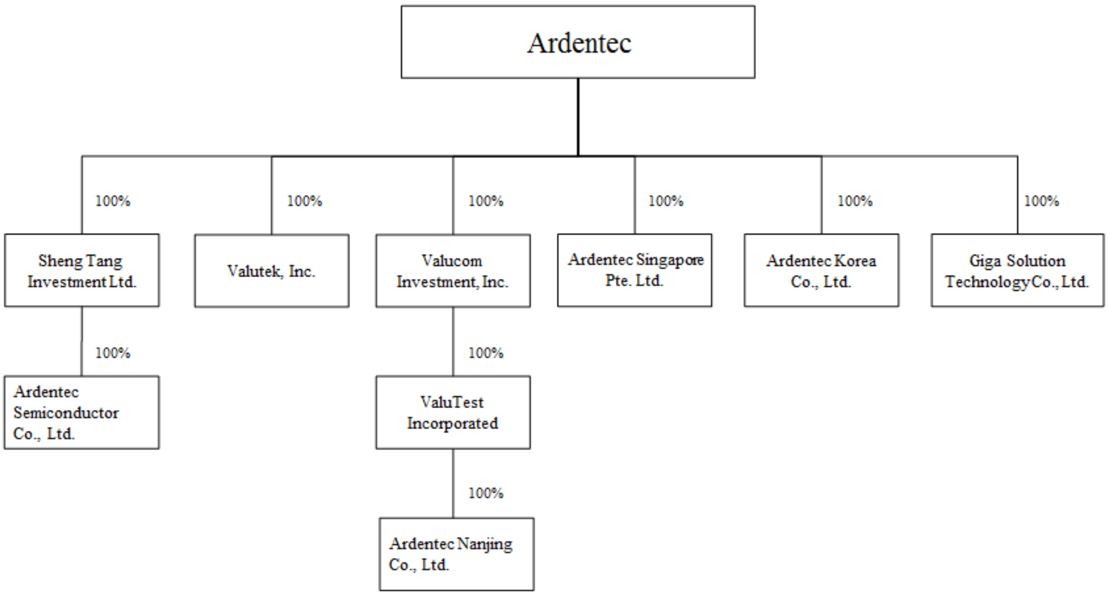
VII. Other important matters: None.

# Chapter 8. Special disclosures

I. Profiles of affiliates and subsidiaries:

(I) Consolidated Operation Report of Affiliates

1. Affiliate organization chart




2. Basic information of the various affiliated enterprises

December 31, 2018

| Enterprise name | Date of establishment | Address | Paid-in capital | Main businesses/products |
|---|---|---|---|---|
| Sheng Tang Investment Ltd. | 2000.04.20 | Rm. 7, 5F., No. 136, Sec. 3, Ren'ai Rd., Da'an Dist., Taipei City | NTD 40,000,000 | General investment company |
| Valutek, Inc. (Note) | 2000.02.22 | Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110 | USD 4,870,000 | General investment company |
| Valucom Investment, Inc. | 2000.02.22 | Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110 | USD 45,076,000 | General investment company |

| Enterprise name | Date of establishment | Address | Paid-in capital | Main businesses/products |
|---|---|---|---|---|
| Ardentec Singapore Pte. Ltd. | 2006.06.15 | 12 Woodlands Loop #02-00,Singapore 738283 | SGD 52,500,000 | Provider of test and assembly services |
| Ardentec Korea Co., Ltd. | 2010.12.13 | 61, Cheongbuksandan-ro, Cheongbuk-myeon, Pyeongtaek-si, Gyeonggi-do, 451-833, Korea | 35,080,000,000 KRW | Electronic integrated circuits, diodes, transistors and similar semiconductor devices/Semiconductor and integrated circuit devices testing and trimming |
| ValuTest Incorporated | 2016.11.17 | Portcullis Chambers, 4th Floor Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Town, Tortola, British Virgin Islands VG1110 | 45,000,000 USD | General investment company |
| Ardentec Semiconductor Co., Ltd. | 2015.07.30 | 4F, No. 24 Wenhua Rd., Hukou Township, Hsinchu County | 20,000,000 NTD | Electronic component manufacturing industry |
| Giga Solution Technology Co., Ltd. | 2000.03.24 | 5F, No. 6, Xing'an Rd. Hsinchu Science Park, Hsinchu City | 1,205,805,000 NTD | IC, module and component testing company |
| Ardentec Nanjing Co., Ltd. | 2017.01.05 | No. 29, Qiu Yun Rd., Qiaolin street, Pukou District, Nanjing | 45,000,000 USD | Semiconductor testing and R&D |

Note: BVI Valutek Inc.

3. Mandatory disclosures where a controlling or subordinate relationship can be concluded in accordance with Paragraph 3, Article 369 of the Company Act: None.

4. Industries covered by the business activities of affiliated enterprises: The primary business activities of Ardentec and our affiliated enterprises are semiconductor testing factories and general investments.

5. Profile of Directors, Supervisors and General Manager

December 31, 2018; Unit: Share

| Enterprise name | Title | Name or representative | No.of shares held | Shareholding percentage |
|---|---|---|---|---|
| Sheng Tang Investment Ltd. | Chairman | Ardentec Corporation Representative: Chih-Yuan Lu | — | 100.00 % |
| | Director | Ardentec Corporation Representative: Chi-Ming Chang | — | 100.00 % |
| Valutek, Inc. | Director | Chi-Ming Chang | 0 | 0.00 % |
| | Director | Shuh-Jiun Liaw | 0 | 0.00 % |
| Valucom Investment, Inc. | Director | Chih-Yuan Lu | 0 | 0.00 % |
| | Director | Chi-Ming Chang | 0 | 0.00 % |
| Ardentec Singapore Pte. Ltd. | Chairman | Yung-Song Lou | 0 | 0.00 % |
| | Director | Chih-Yuan Lu | 0 | 0.00 % |
| | Director | Chi-Ming Chang | 0 | 0.00 % |
| | Director | Jimmy Wang | 0 | 0.00 % |
| | Director | Lu Kee Hong | 0 | 0.00 % |
| | Director & General Manager | David Hsiao | 0 | 0.00 % |
| Ardentec Korea Co., Ltd. | Representative Director | Yung-Song Lou | 0 | 0.00 % |
| | Director | Chih-Yuan Lu | 0 | 0.00 % |
| | Director | Chi-Ming Chang | 0 | 0.00 % |
| | Supervisor | Leslie Guh | 0 | 0.00 % |
| | General Manager | Bill Kang | 0 | 0.00 % |
| ValuTest Incorporated | Director | Chih-Yuan Lu | 0 | 0.00 % |
| | Director | Chi-Ming Chang | 0 | 0.00 % |
| Ardentec Nanjing Co., Ltd. | Chairman | Chi-Ming Chang | 0 | 0.00 % |
| | Director | Yung-Song Lou | 0 | 0.00 % |
| | Director & General Manager | Fu-Wan Sheu | 0 | 0.00 % |
| | Supervisor | Leslie Guh | 0 | 0.00 % |

| Enterprise name | Title | Name or representative | No.of shares held | Shareholding percentage |
|---|---|---|---|---|
| Ardentec Semiconductor., Ltd. | Chairman | Sheng Tang Investment Ltd.<br>Representative:<br>Chih-Yuan Lu | — | 100.00 % |
| | Director | Sheng Tang Investment Ltd.<br>Representative:<br>Chi-Ming Chang | — | 100.00 % |
| Giga Solution Technology Co., Ltd. | Chairman | Ardentec Corporation<br>Representative:<br>Chih-Yuan Lu | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative:<br>Chi-Ming Chang | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative:<br>Liang-Po Chen | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative:<br>Cheng-Yu Chien | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative:<br>Chuang-Gan Chiu | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative:<br>Chun-hao Lai | 120,580,539 | 100.00 % |
| | Director | Ardentec Corporation<br>Representative: Jimmy Wang | 120,580,539 | 100.00 % |
| | Supervisors | Ardentec Corporation<br>Representative: Leslie Guh | 120,580,539 | 100.00 % |
| | President | Liang-Po Chen | 0 | 0.00 % |

6. Business overview of affiliates

December 31, 2018; Unit: Thousand NTD

| Enterprise name | Capital | Total assets | Total liabilities | Net worth | Revenues | Operating profits | Profit or loss for the current period | Earnings per share (NTD) |
|---|---|---|---|---|---|---|---|---|
| Sheng Tang Investment Ltd. | 40,000 | 39,926 | 255 | 39,672 (Note 1) | 3,991 | (2,591) | 1,070 | - |
| Valutek, Inc. | 149,558 | 654,193 | 0 | 654,193 (Note 1) | 31,047 | (1,212) | 23,964 | 4,920.74 |
| Valucom Investment, Inc. | 1,381,850 | 1,218,398 | 0 | 1,218,398 | 4 | (64) | (70,402) | (1,561.85) |
| Ardentec Singapore Pte. Ltd. | 1,136,040 | 1,660,310 | 137,557 | 1,522,753 (Note 2) | 704,710 | 129,060 | 155,615 | 2.96 |
| Ardentec Korea Co., Ltd. | 941,664 | 427,398 | 16,084 | 411,314 | 207,436 | 381 | 29,226 | 4.17 |
| Ardentec Semiconductor Ltd. | 20,000 | 18,726 | 60 | 18,666 | 136 | (171) | (35) | - |
| Giga Solution Technology Co., Ltd. | 1,205,805 | 2,344,623 | 248,436 | 2,650,443 (Note 3) | 1,144,909 | 9,250 | 60,188 | 0.50 |
| ValuTest Incorporated | 1,356,605 | 1,217,656 | 391 | 1,217,265 | 1 | (33) | (70,375) | (1,563.89) |
| Ardentec Nanjing Co., Ltd. | 1,356,605 | 1,646,559 | 415,397 | 1,232,162 (Note 2) | 25,990 | (85,925) | (70,342) | - |

Note 1: The difference from Ardentec's investment in the company is due to treasury stock transaction.

Note 2: The difference from Ardentec's investment in the company is due to downstream transaction.

Note 3:The difference from Ardentec's investment in the company is due business reputation from merger transaction.

(II) Consolidated financial statement of affiliates: For the 2018 year (from January 1 to December 31, 2018), companies that should be included in the consolidated financial statement of affiliates as provided by the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as what should be included in the consolidated financial statements of parent and subsidiary companies as provided in IFRS No. 27, and the relevant information that should be disclosed in the consolidated financial statements of affiliates has been disclosed in the consolidated financial statements of the parent and its subsidiaries. The Company shall not be required to prepare separate consolidated financial statements of affiliates. Please refer to pages：144 to 233.

(III) Affiliation Report: Not applicable.

II. Progress of private placement of securities during the latest year and up to the date of annual report publication: None.

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report

Unit: Thousand NTD

| Subsidiary name | Paid-in capital | Source of funds | Ardentec shareholding percentage | Date of acquisition or disposal | No. and value of shares acquired | No. and value of shares disposed | Investment gains and losses | No. and value of shares held up to the date of annual report publication | Pledges | Amount pledged by Ardentec to subsidiaries | Amount of loans made by Ardentec to subsidiaries |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sheng Tang Investment Ltd. | 40,000 | Own funds | 100 % | 2018 | None | None | None | 278,342 shares 1,997,000 NTD | None | None | None |
| | | | | Up to the date of annual report publication in 2019 | None | None | None | | None | None | None |
| Valutek, Inc. | 152,341 | Own funds | 100 % | 2018 | None | None | None | 15,972,408 shares 124,775,000 NTD | None | None | None |
| | | | | Up to the date of annual report publication in 2019 | None | None | None | | None | None | None |

IV. Other supplemental information: Ardentec did not propose any undertakings when applying for emerging stock listing.

V. Companies being listed on the emerging stock market for the first time should explain any material differences with the investor protection regulations of R.O.C.: Not applicable.

VI. Corporate events with material impact on shareholders' equity or stock prices as set forth in Article 36, Paragraph 3, Subparagraph 2 of Securities and Exchange Act in the past year and up to the date of report: None.