

**OPTO TECH CORPORATION AND  
SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS AND  
REVIEW REPORT OF INDEPENDENT  
ACCOUNTANTS  
JUNE 30, 2018 AND 2017**

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

## REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(18)PWCR 18000036

To the Board of Directors and Shareholders of Opto Tech Corporation

### ***Introduction***

We have reviewed the accompanying consolidated balance sheets of Opto Tech Corporation and subsidiaries (the “Group”) as at June 30, 2018 and 2017, and the related consolidated statements of comprehensive income for the three-month and six-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the six-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

### ***Scope of review***

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

### ***Basis for Qualified Conclusion***

As explained in Notes 4(3)B and 6(6), the amounts and information of the financial statements of insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Total assets of these unreviewed subsidiaries (including investments accounted for using the equity method) amounted to \$830,728 thousand and \$783,365 thousand, representing 7.62% and 6.99% of the consolidated total assets, and total liabilities amounted to \$277,316 thousand and \$276,717 thousand, representing 7.60% and 7.76% of the consolidated total

liabilities as of June 30, 2018 and 2017, respectively. Total comprehensive income (including income and loss of the associates accounted for using the equity method) amounted to \$11,543 thousand and \$14,801 thousand for the three-month periods ended June 30, 2018 and 2017, respectively, and \$7,877 thousand and \$16,555 thousand for the six-month periods ended June 30, 2018 and 2017, representing 3.22%, 10.48%, 1.22% and 5.16% of the total comprehensive income, respectively.

### ***Qualified Conclusion***

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of the insignificant subsidiaries and equity method investees been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three-month and six-month periods then ended and its consolidated cash flows for the six-month periods then ended in accordance with “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission.

Lin, Yu-Kuan

Lai, Chung-Hsi

For and on behalf of PricewaterhouseCoopers, Taiwan

July 31, 2018

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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.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

Assets	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current assets</b>							
Cash and cash equivalents	6(1)	\$ 3,050,993	28	\$ 2,544,575	26	\$ 3,638,568	33
Financial assets at fair value through profit or loss - current	6(2)	300,771	3	300,265	3	491,915	4
Notes receivable, net	6(4)	22,285	-	24,988	-	23,278	-
Accounts receivable - net	6(4)	1,700,525	16	1,446,882	15	1,761,230	16
Accounts receivable - related parties - net	7	88,327	1	94,934	1	125,017	1
Other receivables		16,462	-	11,133	-	8,187	-
Inventories - net	6(5)	1,349,318	12	1,097,951	11	1,136,048	10
Prepayments		36,505	-	55,327	1	19,447	-
Other current assets	8	24,824	-	25,320	-	25,041	-
<b>Current Assets</b>		<u>6,590,010</u>	<u>60</u>	<u>5,601,375</u>	<u>57</u>	<u>7,228,731</u>	<u>64</u>
<b>Non-current assets</b>							
Financial assets at fair value through profit or loss - non-current	6(2)	90,839	1	-	-	-	-
Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	938,725	9	-	-	-	-
Available-for-sale financial assets - non-current	12(4)	-	-	1,222,491	12	883,175	8
Investments accounted for using equity method	6(6)	1,826	-	5,235	-	4,023	-
Property, plant and equipment - net	6(7) and 8	3,095,208	28	2,877,768	29	2,925,585	26
Intangible assets	6(8)	6,878	-	9,051	-	8,379	-
Deferred tax assets	6(26)	121,064	1	103,868	1	100,064	1
Other non-current assets	6(9)	62,779	1	71,245	1	59,870	1
<b>Non-current assets</b>		<u>4,317,319</u>	<u>40</u>	<u>4,289,658</u>	<u>43</u>	<u>3,981,096</u>	<u>36</u>
<b>Total assets</b>		<u>\$ 10,907,329</u>	<u>100</u>	<u>\$ 9,891,033</u>	<u>100</u>	<u>\$ 11,209,827</u>	<u>100</u>

(Continued)

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in thousands of New Taiwan dollars)  
(The balance sheets as of June 30, 2018 and 2017 are reviewed, not audited)

Liabilities and Equity	Notes	June 30, 2018		December 31, 2017		June 30, 2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Current liabilities</b>							
Short-term loans	6(10)	\$ 900,299	8	\$ 899,677	9	\$ 778,483	7
Financial liabilities at fair value	6(2)						
through profit or loss - current		5,266	-	-	-	1,952	-
Notes payable		909	-	2,158	-	875	-
Accounts payable		789,433	7	631,573	6	629,303	6
Accounts payable - related parties	7	168,607	2	160,535	2	184,432	2
Other payables	6(11)(29)	1,363,255	13	536,586	5	1,298,890	12
Current income tax liabilities		82,301	1	86,294	1	64,925	-
Provisions for liabilities - current	6(15)	13,013	-	13,105	-	13,271	-
Other current liabilities	6(12)(29)	43,014	-	60,194	1	340,885	3
<b>Current Liabilities</b>		<u>3,366,097</u>	<u>31</u>	<u>2,390,122</u>	<u>24</u>	<u>3,313,016</u>	<u>30</u>
<b>Non-current liabilities</b>							
Provisions for liabilities - non-current	6(15)	31,819	-	35,120	-	41,037	-
Deferred tax liabilities		53,152	-	42,550	1	5,977	-
Other non-current liabilities		197,772	2	199,368	2	204,020	2
<b>Non-current liabilities</b>		<u>282,743</u>	<u>2</u>	<u>277,038</u>	<u>3</u>	<u>251,034</u>	<u>2</u>
<b>Total Liabilities</b>		<u>3,648,840</u>	<u>33</u>	<u>2,667,160</u>	<u>27</u>	<u>3,564,050</u>	<u>32</u>
<b>Equity attributable to owners of parent</b>							
<b>Capital</b>	6(16)						
Common stock		4,454,386	41	4,454,386	45	5,498,619	49
<b>Capital Reserve</b>	6(17)						
Capital surplus		701,323	6	701,323	7	663,290	6
<b>Retained Earnings</b>	6(18)						
Legal reserve		604,001	6	536,773	5	536,773	5
Special reserve		-	-	59,227	1	59,227	-
Unappropriated earnings		1,185,613	11	1,269,714	13	990,551	9
<b>Other Equity Adjustments</b>							
Other equity interest	6(19)	334,042	3	223,345	2	(79,580)	(1)
<b>Treasury stocks</b>							
Treasury stocks	6(16)	(24,503)	-	(24,503)	-	(26,699)	-
<b>Equity attributable to owners of parent</b>		<u>7,254,862</u>	<u>67</u>	<u>7,220,265</u>	<u>73</u>	<u>7,642,181</u>	<u>68</u>
<b>Non-controlling interest</b>		<u>3,627</u>	<u>-</u>	<u>3,608</u>	<u>-</u>	<u>3,596</u>	<u>-</u>
<b>Total equity</b>		<u>7,258,489</u>	<u>67</u>	<u>7,223,873</u>	<u>73</u>	<u>7,645,777</u>	<u>68</u>
<b>Total liabilities and equity</b>		<u>\$ 10,907,329</u>	<u>100</u>	<u>\$ 9,891,033</u>	<u>100</u>	<u>\$ 11,209,827</u>	<u>100</u>

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

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(UNAUDITED)

Items	Notes	Three-month periods ended June 30				Six-month periods ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Operating revenue</b>	6(20) and 7	\$ 1,388,157	100	\$ 1,389,069	100	\$ 2,699,486	100	\$ 2,962,083	100
<b>Operating costs</b>	6(5)(24)(25)								
	and 7	( 970,657)	( 70)	( 970,261)	( 70)	( 1,880,318)	( 70)	( 2,053,977)	( 69)
<b>Gross profit, net</b>		<u>417,500</u>	<u>30</u>	<u>418,808</u>	<u>30</u>	<u>819,168</u>	<u>30</u>	<u>908,106</u>	<u>31</u>
<b>Operating expenses</b>	6(24)(25)								
Selling expenses		( 34,348)	( 2)	( 31,749)	( 2)	( 66,445)	( 2)	( 63,665)	( 2)
General and administrative expenses		( 125,421)	( 9)	( 121,163)	( 9)	( 244,355)	( 9)	( 244,420)	( 9)
Research and development expenses		( 77,666)	( 6)	( 72,571)	( 5)	( 158,827)	( 6)	( 155,442)	( 5)
Reversal of expected credit (loss) gain on financial assets	12(2)	( 4,894)	-	-	-	156	-	-	-
<b>Total operating expenses</b>		<u>( 242,329)</u>	<u>( 17)</u>	<u>( 225,483)</u>	<u>( 16)</u>	<u>( 469,471)</u>	<u>( 17)</u>	<u>( 463,527)</u>	<u>( 16)</u>
<b>Operating income</b>		<u>175,171</u>	<u>13</u>	<u>193,325</u>	<u>14</u>	<u>349,697</u>	<u>13</u>	<u>444,579</u>	<u>15</u>
<b>Non-operating income and expenses</b>									
Other income	6(21)	5,515	-	6,502	-	29,510	1	27,135	1
Other gains and losses	6(22)	15,898	1	7,679	-	7,202	-	( 38,154)	( 1)
Finance costs	6(23)	( 6,940)	-	( 6,232)	-	( 13,281)	-	( 12,276)	( 1)
Share of (loss) profit of associates and joint ventures accounted for under equity method	6(6)	( 859)	-	( 454)	-	( 3,336)	-	2,827	-
<b>Total non-operating income and expenses</b>		<u>13,614</u>	<u>1</u>	<u>7,495</u>	<u>-</u>	<u>20,095</u>	<u>1</u>	<u>( 20,468)</u>	<u>( 1)</u>
<b>Profit before income tax</b>		<u>188,785</u>	<u>14</u>	<u>200,820</u>	<u>14</u>	<u>369,792</u>	<u>14</u>	<u>424,111</u>	<u>14</u>
Income tax expense	6(26)	( 36,756)	( 3)	( 34,349)	( 2)	( 59,105)	( 2)	( 71,642)	( 2)
<b>Net income</b>		<u>\$ 152,029</u>	<u>11</u>	<u>\$ 166,471</u>	<u>12</u>	<u>\$ 310,687</u>	<u>12</u>	<u>\$ 352,469</u>	<u>12</u>

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**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)  
(UNAUDITED)

Items	Notes	Three-month periods ended June 30				Six-month periods ended June 30			
		2018		2017		2018		2017	
		AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
<b>Other comprehensive income (loss)</b>									
<b>Items that will not be reclassified to profit or loss</b>									
Unrealised gains on valuation of financial assets at fair value through other comprehensive income	6(3)(19)	\$ 206,568	15	\$ -	-	\$ 335,497	12	\$ -	-
<b>Items that will be reclassified subsequently to profit or loss</b>									
Currency translation differences of foreign operations	6(19)	427	-	182	-	511	-	( 1,425)	-
Unrealized loss on valuation of available-for-sale financial assets	6(19)	-	-	( 25,649)	( 2)	-	-	( 30,176)	( 1)
Share of other comprehensive loss of associates and joint ventures accounted for using equity method - items that may be reclassified to profit or loss	6(19)	( 51)	-	221	-	( 73)	-	( 6)	-
<b>Other comprehensive income (loss) for the period, net of income tax</b>		<u>\$ 206,944</u>	<u>15</u>	<u>( \$ 25,246)</u>	<u>( 2)</u>	<u>\$ 335,935</u>	<u>12</u>	<u>( \$ 31,607)</u>	<u>( 1)</u>
<b>Total comprehensive income for the period</b>		<u>\$ 358,973</u>	<u>26</u>	<u>\$ 141,225</u>	<u>10</u>	<u>\$ 646,622</u>	<u>24</u>	<u>\$ 320,862</u>	<u>11</u>
<b>Profit attributable to:</b>									
Owners of the parent		\$ 152,012	11	\$ 166,457	12	\$ 310,668	12	\$ 352,450	12
Non-controlling interest		17	-	14	-	19	-	19	-
		<u>\$ 152,029</u>	<u>11</u>	<u>\$ 166,471</u>	<u>12</u>	<u>\$ 310,687</u>	<u>12</u>	<u>\$ 352,469</u>	<u>12</u>
<b>Total comprehensive income attributable to:</b>									
Owners of the parent		\$ 358,957	26	\$ 141,210	10	\$ 646,603	24	\$ 320,844	11
Non-controlling interest		16	-	15	-	19	-	18	-
		<u>\$ 358,973</u>	<u>26</u>	<u>\$ 141,225</u>	<u>10</u>	<u>\$ 646,622</u>	<u>24</u>	<u>\$ 320,862</u>	<u>11</u>
<b>Earnings per share</b>									
<b>Profit for the period</b>	6(27)	<u>\$</u>	<u>0.34</u>	<u>\$</u>	<u>0.30</u>	<u>\$</u>	<u>0.70</u>	<u>\$</u>	<u>0.65</u>
<b>Diluted earnings per share</b>									
<b>Profit for the period</b>	6(27)	<u>\$</u>	<u>0.34</u>	<u>\$</u>	<u>0.30</u>	<u>\$</u>	<u>0.69</u>	<u>\$</u>	<u>0.63</u>

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

**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

Equity attributable to owners of the parent												
Note	Retained earnings					Other equity interest				Total	Non-controlling interest	Total equity
	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealised gain or loss on financial assets at fair value through other comprehensive income	Unrealized gain or loss on available-for-sale financial assets	Treasury stocks			
<b>For the six-month period ended June 30, 2017</b>												
	\$ 5,456,621	\$ 639,351	\$ 451,300	\$ -	\$ 1,437,596	\$ 3,099	\$ -	(\$ 51,073)	(\$ 26,699)	\$ 7,910,195	\$ 3,578	\$ 7,913,773
	-	-	-	-	352,450	-	-	-	-	352,450	19	352,469
	-	-	-	-	-	(1,430)	-	(30,176)	-	(31,606)	(1)	(31,607)
	-	-	-	-	352,450	(1,430)	-	(30,176)	-	320,844	18	320,862
Distribution of 2016 earnings :												
Legal reserve	-	-	85,473	-	(85,473)	-	-	-	-	-	-	-
Special reserve	-	-	-	59,227	(59,227)	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(654,795)	-	-	-	-	(654,795)	-	(654,795)
Employee options exercised	41,998	23,939	-	-	-	-	-	-	-	65,937	-	65,937
Balance at June 30, 2017	\$ 5,498,619	\$ 663,290	\$ 536,773	\$ 59,227	\$ 990,551	\$ 1,669	\$ -	(\$ 81,249)	(\$ 26,699)	\$ 7,642,181	\$ 3,596	\$ 7,645,777
<b>For the six-month period ended June 30, 2018</b>												
	\$ 4,454,386	\$ 701,323	\$ 536,773	\$ 59,227	\$ 1,269,714	\$ 1,961	\$ -	\$ 221,384	(\$ 24,503)	\$ 7,220,265	\$ 3,608	\$ 7,223,873
Effects of applying new standards	-	-	-	-	(3,210)	-	224,594	(221,384)	-	-	-	-
Balance at January 1, 2018 after adjustments	4,454,386	701,323	536,773	59,227	1,266,504	1,961	224,594	-	(24,503)	7,220,265	3,608	7,223,873
Net income for the period	-	-	-	-	310,668	-	-	-	-	310,668	19	310,687
Other comprehensive income for the period	-	-	-	-	-	438	335,497	-	-	335,935	-	335,935
Total comprehensive income	-	-	-	-	310,668	438	335,497	-	-	646,603	19	646,622
Distribution of 2017 earnings :												
Legal reserve	-	-	67,228	-	(67,228)	-	-	-	-	-	-	-
Special reserve	-	-	-	(59,227)	59,227	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(601,342)	-	-	-	-	(601,342)	-	(601,342)
Disposal of financial assets at fair value through other comprehensive income	-	-	-	-	217,784	-	(228,448)	-	-	(10,664)	-	(10,664)
Balance at June 30, 2018	\$ 4,454,386	\$ 701,323	\$ 604,001	\$ -	\$ 1,185,613	\$ 2,399	\$ 331,643	\$ -	(\$ 24,503)	\$ 7,254,862	\$ 3,627	\$ 7,258,489

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



**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	Notes	For six-month periods ended June 30	
		2018	2017
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Profit before tax		\$ 369,792	\$ 424,111
Adjustments			
Income and expenses having no effect on cash flows			
Reversal of expected credit loss on financial assets	7 and 12(2)	( 156 )	-
Recovery of bad debts expense	7 and 12(4)	-	( 7,821 )
Depreciation	6(7)(24)	208,397	198,137
Amortization	6(8)(24)	6,234	6,383
Amortization of land use right	6(9)	54	52
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	6(2)(22)	4,759	( 786 )
Interest expense	6(23)	13,221	11,600
Interest income	6(21)	( 6,694 )	( 6,718 )
Dividend income	6(6)	( 13,590 )	( 13,480 )
Share of loss (profit) of associates accounted for using equity method		3,336	( 2,827 )
Loss on disposal of property, plant and equipment	6(7)(22)	566	120
Reversal of impairment loss on non-financial assets	6(7)(22)	-	( 15 )
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Notes receivable - net		2,703	2,434
Accounts receivable - net		( 254,427 )	( 257,174 )
Accounts receivable - related parties - net		7,352	2,950
Other receivables		( 4,956 )	3,450
Inventories - net		( 251,367 )	225,466
Prepayments		18,822	14,609
Other current assets		496	1,082
Other non-current assets		5,993	9,496
Net changes in liabilities relating to operating activities			
Notes payable		( 1,249 )	( 666 )
Accounts payable		157,860	( 40,909 )
Accounts payable - related parties		8,072	( 12,051 )
Other payables		224,013	102,679
Other current liabilities		( 17,180 )	( 56,788 )
Provisions for liabilities		( 3,458 )	793
Net defined benefit liability		876	( 34,282 )
Cash inflow generated from operations		479,469	569,845
Interest received		6,321	6,466
Dividend received		13,590	13,480
Interest paid		( 11,907 )	( 11,342 )
Income tax paid		( 87,943 )	( 60,529 )
Net cash flows from operating activities		<u>399,530</u>	<u>517,920</u>

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**OPTO TECH CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of New Taiwan dollars)  
(UNAUDITED)

	<u>Notes</u>	<u>For six-month periods ended June 30</u>	
		<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	\$ 536,013	\$ -
Acquisition of property, plant and equipment	6(7)	( 425,172 )	( 144,716 )
Proceeds from disposal of property, plant and equipment	6(7)	52	303
Acquisition of intangible assets	6(8)	( 4,061 )	( 5,449 )
Decrease in deposits-out		<u>2,441</u>	<u>3,182</u>
Net cash flows from (used in) investing activities		<u>109,273</u>	<u>( 146,680 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Increase in short-term loans	6(30)	1,259,248	1,157,528
Decrease in short-term loans	6(30)	( 1,289,933 )	( 944,340 )
Increase in long-term loans		-	525,680
Decrease in long-term loans		-	( 686,585 )
(Decrease) increase in guarantee deposits	6(30)	( 2,473 )	916
Employee options exercise	6(14)	<u>-</u>	<u>65,937</u>
Net cash flows (used in) from financing activities		<u>( 33,158 )</u>	<u>119,136</u>
Effect of change in exchange rate		<u>30,773</u>	<u>4,575</u>
Net increase in cash and cash equivalents		506,418	494,951
Cash and cash equivalents at beginning of period		<u>2,544,575</u>	<u>3,143,617</u>
Cash and cash equivalents at end of period		<u>\$ 3,050,993</u>	<u>\$ 3,638,568</u>

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

OPTO TECH CORPORATION AND SUBSIDIARIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)  
(Unaudited)

1. HISTORY AND ORGANIZATION

Opto Tech Corporation (the “Company”) was incorporated as a company limited by shares under the provisions of the Company Law of the Republic of China (R.O.C.). The shares of the Company have been traded on the Taiwan Stock Exchange since May 2, 1995. The Company and its subsidiaries (collectively referred herein as the “Group”) are primarily engaged in the manufacture and sales of semiconductor components as well as research and development, design, manufacture and sales of systems products.

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

These consolidated financial statements were reported to the Board of Directors on July 31, 2018.

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 endorsed by the FSC effective from 2018 are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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

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.

When adopting the new standards endorsed by FSC effective from 2018, the Group applied the new rules under IFRS 9 retrospectively from January 1, 2018, with the practical expedients permitted under the statement. For the significant effects of applying the new standards as of January 1, 2018, please refer to Note 12(4).

(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 reported to the Board of Directors that IFRS 16 has no material impact to the Group on March 28, 2018.

The Group will adopt the modified retrospective transitional provisions of IFRS 16, 'Leases' and classify the effects on the lease contract of lessees to January 1, 2019 in accordance with IFRS 16.

(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 endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2017, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

- A. The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the FSC.
- B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

(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 at fair value through other comprehensive income and available-for-sale financial assets measured at fair value.
  - (c) Defined benefit liabilities recognised based on present value of defined benefit obligation less the net amount of pension fund assets.
- 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 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 and the 1<sup>st</sup> quarter of 2017 was 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 Note 12(4).

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements are consistent with those for the year ended December 31, 2017.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Opto Tech Corp.	Ho Chung Investment Co., Ltd. (Ho Chung Investment)	Investment business	100.00	100.00	100.00	Notes 1 and 5
Opto Tech Corp.	Opto Technology International Group Co., Ltd. (Opto)	Investment business	100.00	100.00	100.00	Notes 3 and 5
Opto Tech Corp.	Jyu Shin Investment Co., Ltd. (Jyu Shin Investment)	Investment business	100.00	100.00	100.00	Note 5
Opto Tech Corp.	Source Ever Limited (Source)	International trading	-	100.00	100.00	Notes 4 and 5
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	International trading	100.00	100.00	100.00	Note 5
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Investment business	100.00	100.00	100.00	Notes 3 and 5
Opto	Everyung Investment Ltd. (Everyung)	Investment business	50.00	50.00	50.00	Note 5
Jyu Shin Investment Co., Ltd.	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	99.87	Note 5
Cayman	Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou)	Research, design and manufacture of LED display, wireless communication equipment and related parts with related techniques and after-sale service	100.00	100.00	100.00	Notes 2 and 5

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%)			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
CSB	Bright Investment International Ltd. (Bright)	Investment business	100.00	100.00	100.00	Note 5
Bright	Everyung Investment Ltd. (Everyung)	Investment business	50.00	50.00	50.00	Note 5
Everyung	Opto Plus Technology Co., Ltd. (Opto Plus)	Manufacture and sales of LED and electronic products	100.00	100.00	100.00	Note 5

Note 1: Ho Chung Investment has been continuously acquiring the Company's common stock amounting to 888 thousand shares from 1998 to 2000. It holds about 0.2% of the Company's outstanding common stock.

Note 2: On August 11, 2016, the Board of Directors has resolved to liquidate the Company's Mainland China subsidiary, Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou). As of March 31, 2018, the liquidation is still under process.

Note 3: On August 14, 2017, the Board of Directors has resolved to liquidate the Company's offshore company, Opto Technology International Group Co.,Ltd. (Opto) and Opto Tech (Cayman) Co., Ltd.

Note 4: On August 14, 2017, the Board of Directors has resolved to liquidate Source Ever Limited, which was dissolved on March, 2018, and the remaining funds were repatriated to Opto Tech Corp.

Note 5: The financial statements of the non-substantial subsidiaries as of and for the six-month periods ended June 30, 2018 and 2017 were unreviewed.

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

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

E. Nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities of the Group : None.

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

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

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

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

C. At initial recognition, the Group measures the financial 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.

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

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

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

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

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

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

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.

(6) Accounts and notes receivable

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

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

(7) Impairment of financial assets

For accounts receivable or contract assets that do not contain a significant financing component, at each reporting date, the Group recognises the impairment provision for lifetime expected credit losses (ECLs).

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

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

(9) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss.

They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(10) Revenue recognition

A. Sales of goods

(a) The Group is primarily engaged in the manufacture and sales of semiconductor components. Sales are recognised when control of the products has transferred, being when the products are delivered to the client, the client has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the client, and either the client has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied. As the time interval between the transfer of committed goods and the payment of customer does not exceed one year, the Group does not adjust the transaction price to reflect 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.

B. Sales and installation of systems products

(a) Contracts include sales and installation services of systems products. The system products and the installation services provided by the Group are mostly not distinct and are identified to be one performance obligation since the installation services involve significant customisation and modification. Some contracts are accounted for as a separate performance obligation, and the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. The Group recognises revenue when the performance obligation is satisfied.

(b) The Group provides standard warranties on system products sold. Warranties are estimated based on historical warranty data of system products, and recognised when the amount can be reliably estimated.

(11) Employee benefits

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(12) Income tax

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

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

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

There have been no significant change as of June 30, 2018. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2017.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand	\$ 589	\$ 510	\$ 557
Checking demand deposits	507,720	567,641	778,113
Time deposits	1,892,684	1,556,424	2,219,898
Cash equivalents - Resale bonds	650,000	420,000	640,000
Total	<u>\$ 3,050,993</u>	<u>\$ 2,544,575</u>	<u>\$ 3,638,568</u>

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. Cash and cash equivalents amounting to \$20,860 were pledged to others as collateral, and were classified as other financial assets. Please refer to Note 8.

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

<u>Items</u>	<u>June 30, 2018</u>
Current items:	
Financial assets mandatorily measured at fair value through profit or loss	
Funds	\$ 295,000
Valuation adjustment	
Funds	<u>5,771</u>
Total	<u>\$ 300,771</u>
Financial liabilities mandatorily measured at fair value through profit and loss	
Forward exchange contracts	<u>\$ 5,266</u>
Non-current items:	
Financial assets mandatorily measured at fair value through profit and loss	
Unlisted stocks	\$ 127,049
Valuation adjustment	( 36,210)
Total	<u>\$ 90,839</u>

A. The Group recognised net loss of \$5,254 and \$4,759 on financial assets measured at fair value through profit or loss for the three-month and six-month periods ended June 30, 2018, respectively.

B. The non-hedging derivative instrument transactions and contract information are as follows:

<u>Derivative Instruments</u>	<u>June 30, 2018</u>		<u>Contract period</u>
	<u>Contract Amount</u> <u>(Nominal Principal)</u>		
Assets - Current items:			
Forward exchange contracts	USD	\$ <u>9,000</u> (thousands)	May 7, 2018~ August 21, 2018

The Group entered into forward exchange contracts to sell USD and buy TWD to hedge exchange rate risk of export proceeds. However, these forward exchange contracts are not accounted for under hedge accounting.

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

D. Information on financial assets at fair value through profit or loss as of December 31, 2017 and June 30, 2017 is provided in Note 12(4).

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

Items	June 30, 2018
Non-current items:	
Equity instruments	
Listed stocks	\$ 78,694
Unlisted stocks	477,809
Subtotal	556,503
Valuation adjustment	382,222
Total	<u>\$ 938,725</u>

- A. The Group has elected to classify equity instrument that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to \$938,725 as at June 30, 2018.
- B. The Group sold \$376,606 and \$536,013 of stocks of Viking Tech Corporation at fair value and resulted in cumulative gains of \$169,992 and \$217,784 on disposal during the three-month and six-month periods ended June 30, 2018, respectively.
- C. Amounts recognised in profit or loss and other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	June 30, 2018
<u>Equity instruments at fair value through other comprehensive income</u>	
Fair value change recognised in other comprehensive income	\$ 335,497
Cumulative gains reclassified to retained earnings due to recognition	(\$ 228,448)
Dividend income recognised in profit or loss	
Held at end of period	<u>\$ 13,590</u>

- C. Information relating to credit risk of financial assets at fair value through other comprehensive income is provided in Note 12(2).
- D. Information on available-for-sale financial assets as of December 31, 2017 and June 30, 2017 is provided in Note 12(4).

(4) Notes and accounts receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Notes receivable	\$ 22,285	\$ 24,988	\$ 23,278
Accounts receivable	1,751,981	1,497,554	1,820,960
Less: Allowance for doubtful accounts	( 51,456)	( 50,672)	( 59,730)
	<u>\$ 1,722,810</u>	<u>\$ 1,471,870</u>	<u>\$ 1,784,508</u>

A. The ageing analysis of accounts receivable is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Without past due	\$ 1,652,847	\$ 1,397,018	\$ 1,641,117
Up to 180 days	52,635	59,761	120,743
181 to 360 days	12,190	2,265	3,629
Over 361 days	34,309	38,510	55,471
	<u>\$ 1,751,981</u>	<u>\$ 1,497,554</u>	<u>\$ 1,820,960</u>

The ageing analysis was based on the expected payment collection date.

B. The ageing analysis of notes receivable is as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Without past due	\$ 21,272	\$ 24,988	\$ 23,278
Up to 180 days	1,013	-	-
	<u>\$ 22,285</u>	<u>\$ 24,988</u>	<u>\$ 23,278</u>

The ageing analysis was based on the maturity date of the promissory note.

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

(5) Inventories

	June 30, 2018		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 606,985	(\$ 238,130)	\$ 368,855
Supplies	237,262	( 34,899)	202,363
Work in process	434,152	( 64,784)	369,368
Semi-finished goods	141,592	( 67,036)	74,556
Finished goods	398,859	( 64,683)	334,176
Total	<u>\$ 1,818,850</u>	<u>(\$ 469,532)</u>	<u>\$ 1,349,318</u>

	December 31, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 457,960	(\$ 242,605)	\$ 215,355
Supplies	257,684	( 35,361)	222,323
Work in process	376,123	( 58,622)	317,501
Semi-finished goods	132,291	( 71,974)	60,317
Finished goods	353,469	( 71,014)	282,455
Total	<u>\$ 1,577,527</u>	<u>(\$ 479,576)</u>	<u>\$ 1,097,951</u>

	June 30, 2017		
	Cost	Allowance for valuation loss	Book value
Raw materials	\$ 425,782	(\$ 224,943)	\$ 200,839
Supplies	220,279	( 15,755)	204,524
Work in process	401,280	( 52,865)	348,415
Semi-finished goods	137,371	( 61,626)	75,745
Finished goods	371,278	( 64,753)	306,525
Total	<u>\$ 1,555,990</u>	<u>(\$ 419,942)</u>	<u>\$ 1,136,048</u>

The cost of inventories recognised as expense for the period:

	For the three-month periods ended June 30,	
	2018	2017
Cost of goods sold	\$ 974,805	\$ 957,638
Loss on (gain from reversal of) decline in market value	( 4,148)	12,623
	<u>\$ 970,657</u>	<u>\$ 970,261</u>
	For the six-month periods ended June 30,	
	2018	2017
Cost of goods sold	\$ 1,890,776	\$ 2,034,900
Loss on (gain from reversal of) decline in market value	( 10,458)	19,077
	<u>\$ 1,880,318</u>	<u>\$ 2,053,977</u>

During the three-month and six-month periods ended June 30, 2018, the Group reversed a previous inventory write-down and accounted for as reduction of cost of goods sold because prices of products increased and inventory of low-priced stocks declined.

During the three-month and six-month periods ended June 30, 2017, the Group wrote down inventory from cost to net realisable value accounted for as 'cost of goods sold'.

(6) Investments accounted for using equity method

	2018	2017	
At January 1	\$ 5,235	\$ 1,202	
Share of (loss) profit of investments accounted for using equity method	( 3,336)	2,827	
Change in other equity items (Note 6(19))	( 73)	( 6)	
At June 30	<u>\$ 1,826</u>	<u>\$ 4,023</u>	
Associated enterprises	June 30, 2018	December 31, 2017	June 30, 2017
VML TECHNOLOGIES B.V.	<u>\$ 1,826</u>	<u>\$ 5,235</u>	<u>\$ 4,023</u>

(7) Property, plant and equipment

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1, 2018									
Cost	\$ 2,023,361	\$ 5,123,400	\$ 1,064,064	\$ 677,355	\$ 9,151	\$ 65,902	\$ 1,846,504	\$ 137,628	\$ 10,947,365
Accumulated depreciation	( 1,023,900)	( 4,027,610)	( 920,795)	( 562,632)	( 6,559)	( 60,142)	( 1,459,826)	-	( 8,061,464)
Accumulated impairment	( 59)	( 7,809)	-	-	-	( 143)	( 122)	-	( 8,133)
	<u>\$ 999,402</u>	<u>\$ 1,087,981</u>	<u>\$ 143,269</u>	<u>\$ 114,723</u>	<u>\$ 2,592</u>	<u>\$ 5,617</u>	<u>\$ 386,556</u>	<u>\$ 137,628</u>	<u>\$ 2,877,768</u>
For the six-month period ended June 30, 2018									
Opening net book amount	\$ 999,402	\$ 1,087,981	\$ 143,269	\$ 114,723	\$ 2,592	\$ 5,617	\$ 386,556	\$ 137,628	\$ 2,877,768
Additions	1,673	42,006	10,722	2,795	-	1,416	13,371	353,189	425,172
Disposals	-	-	-	-	( 184)	-	( 434)	-	( 618)
Reclassifications	2,262	169,287	4,528	18,732	-	9,333	27,109	( 231,251)	-
Depreciation expense	( 30,981)	( 130,704)	( 10,602)	( 6,594)	( 473)	( 2,385)	( 26,658)	-	( 208,397)
Net exchange differences	909	368	-	-	5	1	-	-	1,283
Closing net book amount	<u>\$ 973,265</u>	<u>\$ 1,168,938</u>	<u>\$ 147,917</u>	<u>\$ 129,656</u>	<u>\$ 1,940</u>	<u>\$ 13,982</u>	<u>\$ 399,944</u>	<u>\$ 259,566</u>	<u>\$ 3,095,208</u>
At June 30, 2018									
Cost	\$ 2,028,886	\$ 5,332,666	\$ 1,081,088	\$ 698,881	\$ 8,931	\$ 75,792	\$ 1,877,471	\$ 259,566	\$ 11,363,281
Accumulated depreciation	( 1,055,562)	( 4,155,921)	( 933,171)	( 569,225)	( 6,991)	( 61,753)	( 1,477,443)	-	( 8,260,066)
Accumulated impairment	( 59)	( 7,807)	-	-	-	( 57)	( 84)	-	( 8,007)
	<u>\$ 973,265</u>	<u>\$ 1,168,938</u>	<u>\$ 147,917</u>	<u>\$ 129,656</u>	<u>\$ 1,940</u>	<u>\$ 13,982</u>	<u>\$ 399,944</u>	<u>\$ 259,566</u>	<u>\$ 3,095,208</u>

	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
At January 1, 2017									
Cost	\$ 2,019,203	\$ 5,008,102	\$ 1,044,489	\$ 655,617	\$ 10,227	\$ 67,582	\$ 1,786,569	\$ 128,924	\$ 10,720,713
Accumulated depreciation	( 964,073)	( 3,818,898)	( 901,013)	( 567,712)	( 7,389)	( 58,322)	( 1,409,791)	-	( 7,727,198)
Accumulated impairment	( 59)	( 7,866)	-	-	( 63)	( 205)	( 144)	-	( 8,337)
	<u>\$ 1,055,071</u>	<u>\$ 1,181,338</u>	<u>\$ 143,476</u>	<u>\$ 87,905</u>	<u>\$ 2,775</u>	<u>\$ 9,055</u>	<u>\$ 376,634</u>	<u>\$ 128,924</u>	<u>\$ 2,985,178</u>
For the six-month period ended June 30, 2017									
Opening net book amount	\$ 1,055,071	\$ 1,181,338	\$ 143,476	\$ 87,905	\$ 2,775	\$ 9,055	\$ 376,634	\$ 128,924	\$ 2,985,178
Additions	1,385	28,130	11,721	1,296	392	434	5,361	95,997	144,716
Disposals	-	( 207)	-	-	( 204)	( 12)	-	-	( 423)
Reclassifications	1,500	43,718	4,625	19,641	585	-	29,737	( 99,806)	-
Depreciation expense	( 30,627)	( 125,482)	( 9,605)	( 5,149)	( 451)	( 2,030)	( 24,793)	-	( 198,137)
Reversal of impairment loss	-	3	-	-	-	12	-	-	15
Net exchange differences	( 4,333)	( 1,380)	-	-	( 25)	( 26)	-	-	( 5,764)
Closing net book amount	<u>\$ 1,022,996</u>	<u>\$ 1,126,120</u>	<u>\$ 150,217</u>	<u>\$ 103,693</u>	<u>\$ 3,072</u>	<u>\$ 7,433</u>	<u>\$ 386,939</u>	<u>\$ 125,115</u>	<u>\$ 2,925,585</u>
At June 30, 2017									
Cost	\$ 2,014,650	\$ 5,060,281	\$ 1,060,835	\$ 676,554	\$ 9,123	\$ 65,785	\$ 1,820,852	\$ 125,115	\$ 10,833,195
Accumulated depreciation	( 991,595)	( 3,926,352)	( 910,618)	( 572,861)	( 6,051)	( 58,183)	( 1,433,786)	-	( 7,899,446)
Accumulated impairment	( 59)	( 7,809)	-	-	-	( 169)	( 127)	-	( 8,164)
	<u>\$ 1,022,996</u>	<u>\$ 1,126,120</u>	<u>\$ 150,217</u>	<u>\$ 103,693</u>	<u>\$ 3,072</u>	<u>\$ 7,433</u>	<u>\$ 386,939</u>	<u>\$ 125,115</u>	<u>\$ 2,925,585</u>



A. Amount of borrowing costs capitalised as part of property, plant and equipment and the range of the interest rates for such capitalization are as follows:

	For the six-month periods ended June 30,	
	2018	2017
Amount capitalised	\$ 914	\$ 116
Interest rate	0.58%~1.11%	0.17%~0.46%

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

(8) Intangible assets

At January 1, 2018	Software
Cost	\$ 32,231
Accumulated amortisation	( 23,180)
	<u>\$ 9,051</u>
For the six-month period ended June 30, 2018	
Opening net book amount	\$ 9,051
Additions	4,061
Amortisation expense	( 6,234)
Closing net book amount	<u>\$ 6,878</u>
At June 30, 2018	
Cost	\$ 24,315
Accumulated amortisation	( 17,437)
	<u>\$ 6,878</u>
At January 1, 2017	Software
Cost	\$ 33,543
Accumulated amortisation	( 24,230)
	<u>\$ 9,313</u>
For the six-month period ended June 30, 2017	
Opening net book amount	\$ 9,313
Additions	5,449
Amortisation expense	( 6,383)
Closing net book amount	<u>\$ 8,379</u>
At June 30, 2017	
Cost	\$ 25,042
Accumulated amortisation	( 16,663)
	<u>\$ 8,379</u>

Details of amortisation on intangible assets are as follows:

	For the three-month periods ended June 30,	
	2018	2017
Operating costs	\$ 1,062	\$ 1,201
Selling expenses	184	192
General and administration expenses	1,199	1,211
Research and development expenses	697	695
Total	<u>\$ 3,142</u>	<u>\$ 3,299</u>
	For the six-month periods ended June 30,	
	2018	2017
Operating costs	\$ 2,156	\$ 2,278
Selling expenses	366	368
General and administration expenses	2,380	2,390
Research and development expenses	1,332	1,347
Total	<u>\$ 6,234</u>	<u>\$ 6,383</u>

(9) Long-term prepaid rents (shown as “Other non-current assets”)

	June 30, 2018	December 31, 2017	June 30, 2017
Land-use rights	<u>\$ 3,734</u>	<u>\$ 3,764</u>	<u>\$ 3,751</u>

The Group signed the land-use rights contract in the People’s Republic of China. The expiration date of the contract is in year 2053. The entire lease payment had been prepaid when the contract was signed. The amortised expense recognised was \$27, \$26, \$54 and \$52 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.

(10) Short-term borrowings

Type of borrowings	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank borrowings	<u>\$ 900,299</u>	<u>\$ 899,677</u>	<u>\$ 778,483</u>
Interest rate range	<u>0.56%~5.25%</u>	<u>0.53%~6.50%</u>	<u>0.59%~5.80%</u>

(11) Other payables

	June 30, 2018	December 31, 2017	June 30, 2017
Salaries and bonus payable	\$ 146,009	\$ 155,464	\$ 133,415
Compensation payable to employee	189,230	117,173	202,315
Remuneration payable to directors and supervisors	59,097	35,078	67,432
Dividends payable	601,342	-	654,795
Others	367,577	228,871	240,933
Total	<u>\$ 1,363,255</u>	<u>\$ 536,586</u>	<u>\$ 1,298,890</u>

(12) Long-term borrowings

June 30, 2018 and December 31, 2017: None.

Type of borrowings	Credit line	Period	Interest rate range	June 30, 2017
Syndicated borrowings with 10 financial institutions including Taiwan Cooperative Bank	\$ 2,000,000	2012.12.06~ 2017.12.06	1.9239%~ 2.5370%	\$ 258,995
Less: Current portion (shown as “Other non-current liabilities”)				( 258,995)
				<u>\$ -</u>

A. Pursuant to the syndicated borrowings facility agreement entered into by the Company with Taiwan Cooperative Bank and 9 other banks, the Company is required to maintain semi-annual current ratio at 100% or above, debt ratio at 150% or below, interest coverage ratio at 300% or above and net value of tangible assets at \$5 billion or above. If the Company breaches the above debt covenants, it is required to adjust interest rates as committed in the agreement. If the Company fails to improve its interest rates before examination days the Company will violate the above debt covenants.

B. Please refer to Note 8 for details of the collateral on June 30, 2017.

(13) Pensions

A. (a) The Company and CS Bright Corporation 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 CS Bright Corporation contribute monthly an amount equal to 3.51% and 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit.

(b) For the aforementioned pension plan, the Group recognised pension costs of \$2,873, \$3,054, \$5,746 and \$6,109 for the three-month and six-month periods ended June 30, 2018 and 2017, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2018 amount to \$10,672.

- B. (a) Effective July 1, 2005, the Company and its CS Bright Corporation established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and CS Bright Corporation contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.
- (b) The Company’s Mainland China subsidiaries, Opto Tech (Suzhou) Co., Ltd. and Opto Plus Technology Co., Ltd., have defined contribution plans. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People’s Republic of China (P.R.C.) are based on certain percentage of employees’ monthly salaries and wages. The above Mainland China subsidiaries’ contribution percentage for both the six-month periods ended June 30, 2018 and 2017 was 20% and 14%, respectively. Other than the monthly contributions, the Group has no further obligations.
- (c) The pension costs under defined contribution pension plans of the Group for the three-month and six-month periods ended June 30, 2018 and 2017 were \$9,912, \$9,282, \$20,068 and \$19,016, respectively.

(14) Share-based payment

On August 9, 2010, as a result of setting up rules for the employee stock options for the year 2010, the Company issued 15,000 thousands units of employee stock options on August 26, 2010. Each unit could buy one share, and the exercise price is based on the closing price of the Company’s common stock quoted in the Taiwan Stock Exchange at the issued date. The exercise price under the stock-based employee compensation plan is based on the closing price of the Company’s common stock at the grant date and is subject to adjustments due to changes in the number of common shares and issuance of cash dividends. The vesting period of the Company’s employee stock option plan is 7 years. The employees may exercise the stock options in installments within a period of 2 years after the stock options are granted. As of December 31, 2017, all the unexercised stock options have been forfeited.

A. Details of the employee stock options are set forth below:

Stock options	For the six-months period ended June 30, 2017	
	No. of shares (in thousands)	Weighted-average exercise price (in dollars)
Options outstanding at beginning of period	10,755	\$ 15.70
Options exercised	( 4,200)	15.70
Options revoked	( 141)	-
Options outstanding at end of period	<u>6,414</u>	15.70
Options exercisable at end of period	<u>6,414</u>	15.70

B. The weighted-average stock price of stock options at exercise dates for the six-month period ended June 30, 2017 was \$16.74.

C. Details of the employee stock options outstanding as of June 30, 2017 are set forth below:

Stock options outstanding as at June 30, 2017			Stock options exercisable as at June 30, 2017	
No. of shares (in thousands)	Remaining vesting period (in years)	Exercise price (in dollars)	No. of shares (in thousands)	Exercise price (in dollars)
6,414	0.5	\$ 15.7	6,414	\$ 15.7

(a) On August 14, 2017, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercise price were adjusted from \$14.6 (in dollars) to \$18.2 (in dollars).

(b) On July 7, 2017, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercise price were adjusted from \$15.7 (in dollars) to \$14.6 (in dollars).

(c) On June 24, 2016, the Board of Directors of the Company approved the issuance of employee stock options authorized in 2010. The exercised price were adjusted from \$17.2 (in dollars) to \$15.7 (in dollars).

(15) Provisions

<u>Warranty</u>	2018	2017
At January 1	\$ 48,225	\$ 53,868
Additional provisions	2,632	5,206
Used during the period	( 6,090)	( 4,413)
Exchange differences	65	( 353)
At June 30	\$ 44,832	\$ 54,308

Analysis of total provisions:

	June 30, 2018	December 31, 2017	June 30, 2017
Current	\$ 13,013	\$ 13,105	\$ 13,271
Non-current	\$ 31,819	\$ 35,120	\$ 41,037

The Group provides warranties on LED products sold. Provision for warranties is estimated based on historical warranty data of LED products.

(16) Share capital

A. As of June 30, 2018, the Company's authorized capital was \$10,000,000, consisting of 1,000,000 thousand shares of common stock, and the paid-in capital was \$4,454,386, consisting of 445,439 thousand shares of common stock with a par value of \$10 (in dollars) per share. All proceeds from shares issued have been collected. Movements in the number of the Company's ordinary shares outstanding for six-month periods ended June 30, 2018 and June 30, 2017, are as follows (Treasury stock was deducted):

	2018	(In thousands of shares) 2017
At January 1	444,551	544,555
Employee stock options exercised	-	4,200
At June 30	<u>444,551</u>	<u>548,755</u>

B. On March 24, 2017, the Company resolved a capital reduction of \$1,091,563, representing 109,156 thousand shares of outstanding shares whose ratio is around 20%. This reduction proposal was approved at the stockholders' meeting held on June 21, 2017. This proposal was effective after being submitted to the FSC. The record date for reverse split is August 14, 2017, and shares return was completed on October 6, 2017.

C. Treasury stock

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

		June 30, 2018	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	888	\$ <u>24,503</u>

		December 31, 2017	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	888	\$ <u>24,503</u>

		June 30, 2017	
Name of company holding the shares	Reason for reacquisition	Number of Shares (thousand)	Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	1,107	\$ <u>26,699</u>

(b) The Company's shares held by its subsidiary had no voting rights before being transferred to the third party.

(17) Capital reserve

Pursuant to the R.O.C. Company Law, capital reserve 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 reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve 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 distributed as follows:
- (a) Offset prior years' operating losses.
  - (b) 10% of the remaining amount shall be set aside as legal reserve, unless the accumulated legal reserve equals the total capital of the Company.
  - (c) Special reserve set aside in accordance with relevant laws or regulations or as required for operations.
  - (d) After allocation of the above, the Board of Directors proposes a dividend distribution plan for approval by resolution at the shareholders' meeting.
- B. The Company operates in the high-tech industry and its business life cycle is in the growth stage. In view of its capital expenditure demand and comprehensive financial plan for continuous development, the Company issues both stock and cash dividends. The proportion of dividends to be distributed in stocks and cash is determined based on the Company's rate of growth and capital expenditures. However, the amount of cash dividends shall not be lower than 50% of the dividends distributed.
- C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve excess 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 appropriation of 2017 and 2016 earnings had been resolved at the stockholders' meeting on June 20, 2018, and June 21, 2017 respectively. Details are summarized below:

	2017		2016	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	\$ 67,228		\$ 85,473	
Special reserve	( 59,227)		59,227	
Cash dividends	601,342	\$ 1.35	654,795	\$ 1.20
Total	<u>\$ 609,343</u>		<u>\$ 799,495</u>	

The above-mentioned 2017 earnings appropriation as approved by the stockholders were in agreement with those amount approved by the Board of Directors on March 28, 2018.

Information on the appropriation of the Company's earnings as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(19) Other equity items

	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1, 2018	\$ 1,961	\$ 221,384	\$ 223,345
Effects of applying new standards	-	3,210	3,210
Balance at January 1 after adjustments	1,961	224,594	226,555
Financial assets at fair value through other comprehensive income			
Revaluation - Group	-	335,497	335,497
Revaluation transferred to retained earnings	-	( 228,448)	( 228,448)
Currency translation differences:			
-Group	511	-	511
-Associates	( 73)	-	( 73)
At June 30, 2018	<u>\$ 2,399</u>	<u>\$ 331,643</u>	<u>\$ 334,042</u>

	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1, 2017	\$ 3,099	(\$ 51,073)	(\$ 47,974)
Available-for-sale financial assets			
Revaluation - Group	-	( 30,176)	( 30,176)
Currency translation differences:			
-Group	( 1,424)	-	( 1,424)
-Associates	( 6)	-	( 6)
At June 30, 2017	<u>\$ 1,669</u>	<u>(\$ 81,249)</u>	<u>(\$ 79,580)</u>



(20) Operating revenue

	For the three-month period ended June 30, 2018	For the six-month period ended June 30, 2018
Revenue from contracts with customers	\$ 1,388,157	\$ 2,699,486

Disaggregation of revenue from contracts with customers

The Group derives revenue in the following major product lines:

For the three-month period ended June 30, 2018	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	\$ 1,032,282	\$ 273,189	\$ 81,939	\$ 747	\$ 1,388,157

  

For the six-month period ended June 30, 2018	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	\$ 2,047,599	\$ 501,644	\$ 148,802	\$ 1,441	\$ 2,699,486

(21) Other income

	For the three-month periods ended June 30,	
	2018	2017
Rental revenue	\$ 116	\$ 312
Interest income:		
Interest income from bank deposits	2,952	2,931
Interest income from resale bonds	454	500
Other interest income	324	344
Others	1,669	2,415
Total	\$ 5,515	\$ 6,502

  

	For the six-month periods ended June 30,	
	2018	2017
Rental revenue	\$ 427	\$ 721
Dividend income	13,590	13,480
Interest income:		
Interest income from bank deposits	5,285	4,913
Interest income from resale bonds	784	1,051
Other interest income	625	754
Others	8,799	6,216
Total	\$ 29,510	\$ 27,135

(22) Other gains and losses

	For the three-month periods ended June 30,	
	2018	2017
Net loss on financial assets at fair value through profit or loss	(\$ 5,254)	(\$ 2,794)
Net currency exchange gain	21,693	10,898
Gain (loss) on disposal of property, plant and equipment	4 (	101)
Others	( 545)	( 324)
Total	<u>\$ 15,898</u>	<u>\$ 7,679</u>
	For the six-month periods ended June 30,	
	2018	2017
Net (loss) gain on financial assets at fair value through profit or loss	(\$ 4,759)	\$ 786
Net currency exchange gain (loss)	13,566 (	37,135)
Loss on disposal of property, plant and equipment	( 566)	( 120)
Reversal of impairment loss on non-financial assets	-	15
Others	( 1,039)	( 1,700)
Total	<u>\$ 7,202</u>	<u>(\$ 38,154)</u>

(23) Finance costs

	For the three-month periods ended June 30,	
	2018	2017
Interest expense:		
Bank borrowings	\$ 7,452	\$ 5,948
Less: Capitalisation of qualifying assets	( 540)	( 47)
	6,912	5,901
Other financial costs	28	331
Total	<u>\$ 6,940</u>	<u>\$ 6,232</u>
	For the six-month periods ended June 30,	
	2018	2017
Interest expense:		
Bank borrowings	\$ 14,135	\$ 11,716
Less: Capitalisation of qualifying assets	( 914)	( 116)
	13,221	11,600
Other financial costs	60	676
Total	<u>\$ 13,281</u>	<u>\$ 12,276</u>

(24) Expenses by nature

	For the three-month periods ended June 30,	
	2018	2017
Employee benefit expense	\$ 332,778	\$ 306,418
Depreciation on property, plant and equipment	106,027	100,363
Amortisation on intangible assets	3,142	3,299
Total	<u>\$ 441,947</u>	<u>\$ 410,080</u>

  

	For the six-month periods ended June 30,	
	2018	2017
Employee benefit expense	\$ 663,371	\$ 639,233
Depreciation on property, plant and equipment	208,397	198,137
Amortisation on intangible assets	6,234	6,383
Total	<u>\$ 878,002</u>	<u>\$ 843,753</u>

(25) Employee benefit expense

	For the three-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 292,188	\$ 266,569
Labor and health insurance fees	22,029	20,638
Pension costs	12,785	12,336
Other personnel expenses	5,776	6,875
	<u>\$ 332,778</u>	<u>\$ 306,418</u>

  

	For the six-month periods ended June 30,	
	2018	2017
Wages and salaries	\$ 579,090	\$ 557,974
Labor and health insurance fees	45,017	42,517
Pension costs	25,814	25,125
Other personnel expenses	13,450	13,617
	<u>\$ 663,371</u>	<u>\$ 639,233</u>

A. According to the Articles of Incorporation of the Company, if the Company has profit during the year, the Company shall distribute bonus to the employees that account for 10%~15% and pay remuneration to the directors and supervisors that shall not be higher than 5%, of the total distributed amount. If the Company has an accumulated deficit, earnings should be used to cover losses. Employees' compensation can be distributed in the form of shares or in cash. Qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, entitled to receive aforementioned stock or cash may be specified in the Articles of Incorporation.

- B. For the three-month and six-month periods ended June 30, 2018 and 2017, the employees' compensation was accrued at \$35,894, \$37,675, \$69,770 and \$79,541, respectively; directors' and supervisors' remuneration was accrued at \$11,965, \$12,552, \$23,257 and \$26,507, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 15% and 5% of distributable profit of current period distributable as of the end of reporting period.
- C. For the three-month and six-month period ended June 30, 2018, CS Bright Corporation's, the indirect subsidiary of the Company, employees' compensation was accrued at \$1,924 and \$2,287, respectively; directors' and supervisors' remuneration was accrued at \$641 and \$762, respectively. The aforementioned amounts were recognised in salary expense. The employees' compensation and directors' and supervisors' remuneration were estimated and accrued based on 15% and 5% of distributable profit of current period distributable as of the end of reporting period.
- D. Employees' compensation and directors' and supervisors' remuneration of 2017 as resolved by the Board of Directors are the same as the amount recognised in the consolidated financial statements.
- E. Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved at the Board of Directors' meeting 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:

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Current tax:		
Current tax on profits for the period	\$ 35,160	\$ 20,957
Tax on undistributed surplus earnings	5,923	2,230
Prior year income tax underestimation	-	520
Total current tax	<u>41,083</u>	<u>23,707</u>
Deferred tax:		
Origination and reversal of temporary differences	( 4,327)	10,642
Income tax expense	<u>\$ 36,756</u>	<u>\$ 34,349</u>

	For the six-month periods ended June 30,	
	2018	2017
Current tax:		
Current tax on profits for the period	\$ 71,059	\$ 64,277
Tax on undistributed surplus earnings	5,923	2,230
Prior year income tax underestimation	-	520
Total current tax	<u>76,982</u>	<u>67,027</u>
Deferred tax:		
Origination and reversal of temporary differences	( 7,056)	4,615
Impact of change in tax rate	( 10,821)	-
Total deferred tax	<u>( 17,877)</u>	<u>4,615</u>
Income tax expense	<u>\$ 59,105</u>	<u>\$ 71,642</u>

(b) The income tax charge relating to components of other comprehensive income are as follows:

	For the three-month periods ended June 30,	
	2018	2017
Impact of change in tax rate	<u>\$ -</u>	<u>\$ -</u>
	For the six-month periods ended June 30,	
	2018	2017
Impact of change in tax rate	<u>(\$ 7,587)</u>	<u>\$ -</u>

(c) The income tax charged to equity during the period is as follows:

	For the three-month periods ended June 30,	
	2018	2017
Disposal of financial assets at fair value through other comprehensive income	<u>\$ 10,664</u>	<u>\$ -</u>
	For the six-month periods ended June 30,	
	2018	2017
Disposal of financial assets at fair value through other comprehensive income	<u>\$ 10,664</u>	<u>\$ -</u>

B. As of June 30, 2018, the Company's income tax returns through 2016 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China on February 7, 2018, the Company's applicable income tax rate 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

<u>For the three-month period ended June 30, 2018</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 152,012	444,551	\$ <u>0.34</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	<u>2,373</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 152,012</u>	<u>446,924</u>	\$ <u>0.34</u>
<u>For the three-month period ended June 30, 2017</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 166,457	547,913	\$ <u>0.30</u>
Dilutive effect of common stock equivalents:			
Employees' stock option	-	1,635	
Employees' compensation	-	<u>4,507</u>	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 166,457</u>	<u>554,055</u>	\$ <u>0.30</u>

<u>For the six-month period ended June 30, 2018</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 310,668	444,551	<u>\$ 0.70</u>
Dilutive effect of common stock equivalents:			
Employees' compensation	-	4,683	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 310,668</u>	<u>449,234</u>	<u>\$ 0.69</u>
<u>For the six-month period ended June 30, 2017</u>			
	<u>Profit after tax</u>	<u>Weighted-average outstanding common shares (in thousands)</u>	<u>Earnings per share (in dollars)</u>
<u>Basic earnings per share</u>			
Profit attributable to owners of the parent	\$ 352,450	546,358	<u>\$ 0.65</u>
Dilutive effect of common stock equivalents:			
Employees' stock option	-	2,794	
Employees' compensation	-	7,838	
<u>Diluted earnings per share</u>			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	<u>\$ 352,450</u>	<u>556,990</u>	<u>\$ 0.63</u>

(28) Operating leases

The Company had entered into agreements to lease land and plant from Hsinchu Science Park and other related parties for the period from 1997 to 2037 and the period from 2018 to 2023, respectively. CS Bright Corporation had entered into an agreement to lease office from a non-related party. For the three-month and six-month periods ended June 30, 2018 and 2017, the Company and CS Bright Corporation together recognised rental expenses of \$4,843, \$4,797, \$9,560 and \$9,594, respectively. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Not later than 1 year	\$ 19,312	\$ 20,347	\$ 16,883
Later than 1 year but not later than 5 years	78,226	79,486	69,406
Later than 5 years	<u>167,438</u>	<u>161,957</u>	<u>167,438</u>
	<u>\$ 264,976</u>	<u>\$ 261,790</u>	<u>\$ 253,727</u>

(29) Supplemental cash flow information

Non-cash flows from investing and financing activities:

	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Long-term liabilities maturing within one year (shown as other current liabilities)	<u>\$ -</u>	<u>\$ 258,995</u>
Distribution of cash dividends (shown as "other payables")	<u>\$ 601,342</u>	<u>\$ 654,795</u>

(30) Changes in liabilities from financing activities

	<u>Short-term borrowings</u>	<u>Guarantee deposits</u>	<u>Liabilities from financing activities-gross</u>
At January 1, 2018	\$ 899,677	\$ 3,390	\$ 903,067
Increase in short-term borrowings	1,259,248	-	1,259,248
Decrease in short-term borrowings	( 1,289,933)	-	( 1,289,933)
Decrease in guarantee deposits	-	( 2,473)	( 2,473)
Impact of changes in foreign exchange rate	<u>31,307</u>	<u>-</u>	<u>31,307</u>
At June 30, 2018	<u>\$ 900,299</u>	<u>\$ 917</u>	<u>\$ 901,216</u>

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

<u>Names of related parties</u>	<u>Relationship with the Company</u>
Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company; this company is the director of the Company.
Giga Epitaxy Technology Corp.	The Company is the director of this company.
Nichia Taiwan Corp.	This company is the director of the Company.
Nichia Corp.	This company's subsidiary is the director of the Company.
VML Technologies B.V.	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method.



(2) Significant transactions and balances with related parties

A. Operating revenue:

	For the three-month periods ended June 30,	
	2018	2017
Sales of goods:		
Associates	\$ 238	\$ 1,612
Other related parties	71,171	108,747
Total	<u>\$ 71,409</u>	<u>\$ 110,359</u>
	For the six-month periods ended June 30,	
	2018	2017
Sales of goods:		
Associates	\$ 437	\$ 35,760
Other related parties	159,038	220,471
Total	<u>\$ 159,475</u>	<u>\$ 256,231</u>

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the six-month periods ended June 30, 2018 and 2017, the credit term was 66 ~ 136 days for the related parties, and 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	For the three-month periods ended June 30,	
	2018	2017
Purchases of goods:		
Other related parties		
Nichia Taiwan Corp.	\$ 49,972	\$ 55,988
Other	70,858	75,908
Total	<u>\$ 120,830</u>	<u>\$ 131,896</u>
	For the six-month periods ended June 30,	
	2018	2017
Purchases of goods:		
Other related parties		
Nichia Taiwan Corp.	\$ 98,916	\$ 105,428
Other	137,655	143,322
Total	<u>\$ 236,571</u>	<u>\$ 248,750</u>

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the six-month periods ended June 30, 2018 and 2017, the credit term was 60 ~ 120 days for the related parties, and 90 ~ 120 days for the non-related parties for both periods.

C. Accounts receivable:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Receivables from related parties:			
Associates	\$ -	\$ -	\$ 700
Other related parties	91,370	98,722	125,517
Less: Allowance for doubtful accounts	( 3,043)	( 3,788)	( 1,200)
Total	<u>\$ 88,327</u>	<u>\$ 94,934</u>	<u>\$ 125,017</u>

D. Accounts payable:

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Payables to related parties:			
Other related parties			
Nichia Taiwan Corp.	\$ 92,472	\$ 85,367	\$ 102,071
Others	76,135	75,168	82,361
Total	<u>\$ 168,607</u>	<u>\$ 160,535</u>	<u>\$ 184,432</u>

E. Rent expense

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties	<u>\$ 600</u>	<u>\$ -</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Other related parties	<u>\$ 1,200</u>	<u>\$ -</u>

The Company leases plant and machinery from related parties. The monthly rental payments are mutually agreed upon. The payment terms are not materially different from those charged by non-related parties.

(3) Key management compensation

	<u>For the three-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 21,142	\$ 23,327
Post-employment benefits	122	116
Total	<u>\$ 21,264</u>	<u>\$ 23,443</u>
	<u>For the six-month periods ended June 30,</u>	
	<u>2018</u>	<u>2017</u>
Salaries and other short-term employee benefits	\$ 44,517	\$ 50,408
Post-employment benefits	244	230
Total	<u>\$ 44,761</u>	<u>\$ 50,638</u>

## 8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

Pledged assets	Book value			Purpose of pledge	
	June 30, 2018	December 31, 2017	June 30, 2017	Creditor Bank	Type
Restricted assets-Time deposits, (shown as "other current assets")	\$ 20,860	\$ 20,860	\$ 20,860	Chang Hwa Commercial Bank	Land lease and dormitory lease deposits
Property, plant and equipment	-	-	763,560	10 financial institutions including Taiwan Cooperative Bank	Long-term borrowings
	<u>\$ 20,860</u>	<u>\$ 20,860</u>	<u>\$ 784,420</u>		

## 9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) As of June 30, 2018, the guarantees provided by the Group through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Chang Hwa Commercial Bank	Customs duty	\$ 14,000
Chang Hwa Commercial Bank	Warranty	20,860
Mega International Commercial Bank	"	6,195
Taipei Fubon Commercial Bank	"	5,137
Taiwan Cooperative Bank	"	468
Taishin International Bank	Borrowing	183,690
		<u>\$ 230,350</u>

(2) As of June 30, 2018, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	48,488
JPY	32,371
USD	673

(3) Operating lease commitments:

Please refer to Note 6(28).

(4) As of June 30, 2018, the promissory notes issued by the Company and CS Bright Corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to \$4,423,137.

(5) As of June 30, 2018, the capital expenditure contracted but not yet incurred is \$39,027.

## 10. SIGNIFICANT DISASTER LOSS

None.

## 11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

## 12. OTHERS

### (1) Capital risk 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 or issue new shares to reduce debt. The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

As of June 30, 2018, December 31, 2017 and June 30, 2017, the gearing ratios were (42.11%), (29.48%) and (51.56%), respectively.

### (2) Financial instruments

#### A. Financial instruments by category

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
<u>Financial assets</u>			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 391,610	\$ -	\$ -
Financial assets held for trading	-	300,265	491,915
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	938,725	-	-
Available-for-sale financial assets	-	1,222,491	883,175
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	3,050,993	2,544,575	3,638,568
Notes receivable	22,285	24,988	23,278
Accounts receivable (including related parties)	1,788,852	1,541,816	1,886,247
Other accounts receivable	16,462	11,133	8,187
Guarantee deposits paid	31,438	33,879	35,965
Other financial assets	20,860	20,860	20,860
	<u>\$ 6,261,225</u>	<u>\$ 5,700,007</u>	<u>\$ 6,988,195</u>

	June 30, 2018	December 31, 2017	June 30, 2017
<u>Financial liabilities</u>			
Financial liabilities at amortised cost			
Short-term borrowings	\$ 900,299	\$ 899,677	\$ 778,483
Notes payable	909	2,158	875
Accounts payable (including related parties)	958,040	792,108	813,735
Other accounts payable	1,363,255	536,586	1,298,890
Long-term borrowings (including current portion)	-	-	258,995
Guarantee deposits received	917	3,390	2,776
	<u>\$ 3,223,420</u>	<u>\$ 2,233,919</u>	<u>\$ 3,153,754</u>

#### B. Financial risk management policies

There was no significant change in the reporting period. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2017.

#### C. Significant financial risks and degrees of financial risks

##### (a) Market risk

##### Foreign exchange risk

- i. The Group operates internationally and is exposed to foreign exchange risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and JPY. Exchange rate risk arises from future commercial transactions and recognised assets and liabilities.
- ii. To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group use forward foreign exchange contracts, transacted with Group treasury. The expired dates of these forward foreign exchange contracts are shorter than 6 months and are not accounted for under hedge accounting. 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. As the foreign operations are strategic investments, the Company does not hedge for them.
- iv. The Group's businesses involve some non-functional currency operations (the Company's and certain subsidiaries' functional currency: TWD; other subsidiaries' functional currency: CNY). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	June 30, 2018			For the six-month period ended June 30, 2018			
				Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 50,600	30.410	\$ 1,538,746	1%	\$ 15,387	\$ -	\$ 41,269
JPY : TWD	292,235	0.2734	79,897	1%	799	-	172
CNY : TWD	27,187	4.5680	124,190	1%	1,242	- (	1,751)
USD : CNY (Note)	762	6.6318	23,211	1%	232	-	733
<u>Non-monetary items:</u> None							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 28,988	30.510	\$ 884,424	1%	(\$ 8,844)	\$ -	(\$ 23,924)
JPY : TWD	695,234	0.2774	192,858	1%	( 1,929)	- (	2,227)
USD : CNY (Note)	37	6.6318	1,127	1%	( 11)	- (	46)
<u>Non-monetary items:</u> None							

	December 31, 2017			For the year ended December 31, 2017			
				Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 49,197	29.710	\$ 1,461,643	1%	\$ 14,616	\$ -	(\$ 16,908)
JPY : TWD	411,206	0.2622	107,818	1%	1,078	- (	1,803)
CNY : TWD	22,160	4.5400	100,606	1%	1,006	-	165
USD : CNY (Note)	712	6.5192	21,189	1%	212	-	209
<u>Non-monetary items:</u> None							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 29,024	29.810	\$ 865,205	1%	(\$ 8,652)	\$ -	\$ 13,763
JPY : TWD	675,234	0.2662	179,747	1%	( 1,797)	-	1,226
USD : CNY (Note)	28	6.5192	833	1%	( 8)	-	12
<u>Non-monetary items:</u> None							

	June 30, 2017			For the six-month period ended June 30, 2017			
				Sensitivity Analysis			
	Foreign currency amount (in thousands)	Exchange rate	Book value (TWD)	Extent of variation	Effect on profit or loss	Effect on other compre- hensive income	Unrealized exchange gain or (loss)
(Foreign currency: functional currency)							
<u>Financial assets</u>							
<u>Monetary items</u>							
USD : TWD	\$ 52,477	30.37	\$ 1,593,726	1%	\$ 15,937	\$ -	(\$ 890)
JPY : TWD	487,005	0.2696	131,297	1%	1,313	-	( 1,038)
CNY : TWD	28,132	4.461	125,497	1%	1,255	-	2,071
USD : CNY (Note)	4,120	6.7811	125,330	1%	1,253	-	( 303)
<u>Non-monetary items:</u> None							
<u>Financial liabilities</u>							
<u>Monetary items</u>							
USD : TWD	\$ 34,636	30.47	\$ 1,055,359	1%	(\$ 10,554)	\$ -	\$ 891
JPY : TWD	637,811	0.2736	174,505	1%	( 1,745)	-	143
USD : CNY (Note)	2,120	6.7811	64,490	1%	( 645)	-	118
<u>Non-monetary items:</u> None							

Note : If the consolidated entities' functional currency is not TWD, the foreign currency denominated assets and liabilities of the consolidated entities should be disclosed. For example, when the functional currency of a subsidiary is CNY, its USD foreign currency positions should also be disclosed.

#### 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.
- ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these domestic funds, equity securities of listed company or unlisted company had increased/decreased by 5%, 20% or 10%, respectively, with all other variables held constant, post-tax profit the six-month periods ended June 30, 2018 and 2017 would have increased/decreased by \$24,123 and \$24,596, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by \$115,544 and \$116,382 as a result of gains/losses on equity securities classified as available-for-sale.

### Interest rate risk

- i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at floating rates. During the six-month periods ended June 30, 2018 and 2017, the Group's borrowings at floating rate were denominated in TWD, USD and JPY.
- ii. At June 30, 2018 and 2017, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the six-month periods ended June 30, 2018 and 2017 would have been \$3,595 and \$4,310 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

### (b) Credit risk

- i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. 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, the utilisation of credit limits is regularly monitored. Credit risk arises from cash and equivalents, derivative financial instruments and deposits with bank and financial institutions, as well as operating activities, including outstanding receivables.
- ii. The default occurs when the contract payments are past due over 181 days for distributors and 361 days for other customers, respectively.
- iii. The Group classifies customer's accounts receivable, in accordance with credit risk on trade and customer types. The Group applies the simplified approach using loss rate methodology to estimate expected credit loss under the provision matrix basis.
- 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 used historical and timely information to assess the default possibility of accounts receivable (including related parties). On June 30, 2018, the loss rate methodology is as follows:

	<u>Individual</u>	<u>Group</u>	<u>Total</u>
<u>At June 30, 2018</u>			
Expected loss rate	100%	0%~65%	
Total book value	\$ 8,771	\$ 1,834,580	\$ 1,843,351
Loss allowance	<u>\$ 8,771</u>	<u>\$ 45,728</u>	<u>\$ 54,499</u>

- vi. As at June 30, 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 Group's accounts receivable was \$1,843,351.
- vii. Movements in relation to the group applying the simplified approach to provide loss allowance for accounts receivable are as follows:

	<u>2018</u>
	<u>Accounts receivable</u>
At January 1_IAS 39	\$ 54,460
Adjustments under new standards	-
At January 1_IFRS 9	54,460
Reversal of impairment loss	( 156)
Effect of foreign exchange	195
At June 30	<u>\$ 54,499</u>

- viii. The Group conducts business with banks and financial institutions with sound reputation, and therefore do not expect the financial assets at amortized cost to have credit risk.
- ix. Credit risk information as of December 31, 2017 and June 30, 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.
- ii. The table below analyses the Group's non-derivative financial liabilities and 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.

Non-derivative financial liabilities :

	Less than	Between	Between	Between	Over 5
June 30, 2018	1 year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
Short-term borrowings	\$ 900,299	\$ -	\$ -	\$ -	\$ -
Notes payable	909	-	-	-	-
Accounts payable (including related parties)	958,040	-	-	-	-
Other payables	1,363,255	-	-	-	-

Non-derivative financial liabilities :

	Less than	Between	Between	Between	Over 5
December 31, 2017	1 year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
Short-term borrowings	\$ 899,677	\$ -	\$ -	\$ -	\$ -
Notes payable	2,158	-	-	-	-
Accounts payable (including related parties)	792,108	-	-	-	-
Other payables	536,586	-	-	-	-

Non-derivative financial liabilities :

	Less than	Between	Between	Between	Over 5
June 30, 2017	1 year	1 and 2	2 and 3	3 and 5	years
		years	years	years	years
Short-term borrowings	\$ 778,483	\$ -	\$ -	\$ -	\$ -
Notes payable	875	-	-	-	-
Accounts payable (including related parties)	813,735	-	-	-	-
Other payables	1,298,890	-	-	-	-
Long-term borrowings (including current portion)	261,511	-	-	-	-

(3) Fair value information

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

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

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

B. The carrying amounts of cash and cash equivalents, notes receivable, account receivable, other receivables, short-term borrowings, notes payables, account payables and other payables are approximate to their fair value.

C. 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 June 30, 2018, December 31, 2017 and June 30, 2017 is as follows:

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Equity securities	\$ -	\$ -	\$ 90,839	\$ 90,839
Domestic funds	300,771	-	-	300,771
Financial assets at fair value through other comprehensive income				
	216,717	-	722,008	938,725
Total	<u>\$ 517,488</u>	<u>\$ -</u>	<u>\$ 812,847</u>	<u>\$ 1,330,335</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 5,266</u>	<u>\$ -</u>	<u>\$ 5,266</u>
December 31, 2017				
	Level 1	Level 2	Level 3	Total
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 300,138	\$ -	\$ -	\$ 300,138
Forward exchange contract	-	127	-	127
Available-for-sale financial assets				
Equity securities	409,644	-	812,847	1,222,491
Total	<u>\$ 709,782</u>	<u>\$ 127</u>	<u>\$ 812,847</u>	<u>\$ 1,522,756</u>

June 30, 2017	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Domestic funds	\$ 491,915	\$ -	\$ -	\$ 491,915
Available-for-sale financial assets				
Equity securities	<u>280,641</u>	<u>-</u>	<u>602,534</u>	<u>883,175</u>
Total	<u>\$ 772,556</u>	<u>\$ -</u>	<u>\$ 602,534</u>	<u>\$ 1,375,090</u>
Liabilities:				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
Forward exchange contract	<u>\$ -</u>	<u>\$ 1,952</u>	<u>\$ -</u>	<u>\$ 1,952</u>

D. 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) are composed of: listed shares using closing price and open-end fund using net asset value at balance sheet date.
- (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.
- (c) When assessing non-standard and low-complexity financial instruments, 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. Forward exchange contracts are usually valued based on the current forward exchange rate.
- (d) The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs. In accordance with the Group's management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

E. For the six-month periods ended June 30, 2018 and 2017, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 financial instruments of equity securities for the six-month periods June 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
At January 1 (June 30)	<u>\$ 812,847</u>	<u>\$ 602,534</u>

G. For the six-month periods ended June 30, 2018 and 2017, there was no transfer into or out from Level 3.

H. Financial segment is in charge of valuation procedures for fair value measurements being categorized 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 and reviewing periodically.

I. 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 June 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 812,847	Market comparable companies	Price to earnings ratio multiple	0.84~1.24	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	15.6%~29.3%	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:					
Unlisted shares	\$ 812,847	Market comparable companies	Price to earnings ratio multiple	0.84~1.24	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	15.6%~29.3%	The higher the discount for lack of marketability, the lower the fair value.
	Fair value at June 30, 2017	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	\$ 602,534	Market comparable companies	Price to earnings ratio multiple	0.59~0.79	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	27.9%~30.6%	The higher the discount for lack of marketability, the lower the fair value.

J. 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 measurements. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		June 30, 2018				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ -	\$ -	\$ 14,855	(\$ 14,855)
		December 31, 2017				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ -	\$ -	\$ 14,855	(\$ 14,855)
		June 30, 2017				
		Recognised in profit or loss		Recognised in other comprehensive income		
		Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change	
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	\$ -	\$ -	\$ 9,307	(\$ 9,307)

(4) Effects on initial application of IFRS 9 and IFRS 15, and information of adopting IAS 39 and IAS 18 for the six-month period ended June 30, 2017 and the year ended December 31, 2017

A. Please refer to Note 4 in the consolidated financial statements for the year ended December 31, 2017 for the significant accounting policies in compliance with International Accounting Standard 39 ('IAS 39') and International Accounting Standard 18 ('IAS 18') for the year ended December 31, 2017 and for the six-month period ended June 30, 2017.

B. The reconciliation of the carrying amount of financial assets from December 31, 2017, IAS 39, to January 1, 2018, IFRS 9, are as follows:

	Measured at fair value through profit or loss	Available-for- sale-equity	Total	Effects	
		Measured at fair value through other comprehensive income-equity		Retained earnings	Others equity
IAS 39	\$ 300,265	\$ 1,222,491	\$ 1,522,756	\$ -	\$ -
Transferred into and measured at fair value through profit or loss	90,839	( 90,839)	-	( 36,210)	36,210
Transferred into and measured at fair value through other comprehensive income-equity	-	-	-	33,000	( 33,000)
IFRS 9	<u>\$ 391,104</u>	<u>\$ 1,131,652</u>	<u>\$ 1,522,756</u>	<u>(\$ 3,210)</u>	<u>\$ 3,210</u>

- (a) Under IAS 39, the equity instruments, which were classified as available-for-sale financial assets, amounting to \$1,131,652, were not held for the purpose of trading, they were reclassified as "financial assets at fair value through other comprehensive income" amounting to \$1,131,652, and result in increased retained earnings and decreased other equity interest both in the amount of \$33,000 on initial application of IFRS 9.
- (b) Under IAS 39, the equity instruments, which were classified as available-for-sale financial assets, amounting to \$90,839, were reclassified as "financial assets at fair value through profit or loss" amounting to \$90,839, and result in decreased retained earnings and increased other equity interest both in the amount of \$36,210 under IFRS 9.

C. The significant accounts as of June 30, 2017 and December 31, 2017 are as follows:

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

Items	December 31, 2017	June 30, 2017
Current items:		
Financial assets held for trading		
Domestic funds	\$ 295,000	\$ 485,000
Valuation adjustment of financial assets held for trading		
Domestic funds	5,138	6,915
Forward exchange contract	127	-
	<u>\$ 300,265</u>	<u>\$ 491,915</u>
Current items:		
Financial liabilities held for trading		
Valuation adjustment of financial liabilities held for trading		
Forward exchange contracts	<u>\$ -</u>	<u>\$ 1,952</u>

- i. The Group recognised net (loss) gain of (\$2,794) and \$786 for the three-month and six-month periods ended June 30, 2017, respectively.
- ii. The non-hedging derivative instrument transactions and contract information are as follows:

December 31, 2017		
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Current Items:		
Forward exchange contracts	USD\$ 1,000 (thousands)	December 13, 2017 ~ January 16, 2018
June 30, 2017		
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Current Items:		
Forward exchange contracts	USD\$ 8,000 (thousands)	May 18, 2017~ August 22,2017



(b) Available-for-sale financial assets

Items	December 31, 2017	June 30, 2017
Non-current items:		
Listed stocks	\$ 386,258	\$ 386,258
Unlisted shares	571,857	571,857
	958,115	958,115
Valuation adjustment	264,376	( 74,940)
	\$ 1,222,491	\$ 883,175

The Group recognised \$25,649 and \$30,176 in other comprehensive loss for fair value change for the three-month and six-month periods ended June 30, 2017, respectively.

D. Credit risk information for the year ended December 31, 2017 and the six-month period ended June 30, 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, 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 operating activities, including outstanding receivables.
- (b) As of December 31, 2017 and June 30, 2017, the Group's 10 largest customers accounted for 74% and 71% of the balance of the Group's account receivable, respectively. The centralized credit risk of other accounts receivable is not relatively significant.
- (c) Movement analysis of financial assets that were impaired is as follows:
- i. As of December 31, 2017 and June 30, 2017, the Group's accounts receivable that were impaired amounted to \$8,572 and \$938, respectively.
  - ii. Movements in the provision for impairment are as follows:

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 1,065	\$ 67,998	\$ 69,063
Provision for impairment	7,507	-	7,507
Reversal of impairment	-	( 25,388)	( 25,388)
Write-offs during the period	-	( 40)	( 40)
Effects of foreign exchange	-	( 470)	( 470)
At December 31	\$ 8,572	\$ 42,100	\$ 50,672

	2017		
	Individual provision	Group provision	Total
At January 1	\$ 1,065	\$ 67,998	\$ 69,063
Reversal of impairment	( 127)	( 8,076)	( 8,203)
Effects of foreign exchange	-	( 1,130)	( 1,130)
At June 30	<u>\$ 938</u>	<u>\$ 58,792</u>	<u>\$ 59,730</u>

### 13. SUPPLEMENTARY DISCLOSURES

#### (1) Significant transactions information

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

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

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

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

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

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

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

H.Receivables from related parties reaching \$100 million or 20% of paid-in capital or more: None.

I.Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(2) and 12(4).

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: Please refer to table 8.

### 14. SEGMENT INFORMATION

#### (1) General information

There was no significant change in the reporting period. Please refer to Note 14 in the consolidated financial statements for the year ended December 31, 2017.

#### (2) Segment information

The segment information provided to the Chief Operating Decision-Maker for the reportable segments is as follows:

		For the three-month period ended June 30, 2018				
		LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers		\$ 1,032,282	\$ 273,189	\$ 81,939	\$ 747	\$ 1,388,157
Segment income (loss)		\$ 168,222	\$ 7,465	\$ 10,137	\$ 2,961	\$ 188,785
		For the three-month period ended June 30, 2017				
		LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers		\$ 1,088,030	\$ 208,148	\$ 86,809	\$ 6,082	\$ 1,389,069
Segment income (loss)		\$ 192,232	(\$ 4,060)	\$ 14,073	(\$ 1,425)	\$ 200,820
		For the six-month period ended June 30, 2018				
		LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers		\$ 2,047,599	\$ 501,644	\$ 148,802	\$ 1,441	\$ 2,699,486
Segment income (loss)		\$ 366,904	\$ 10	\$ 9,916	(\$ 7,038)	\$ 369,792
		For the six-month period ended June 30, 2017				
		LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers		\$ 2,108,338	\$ 680,378	\$ 162,447	\$ 10,920	\$ 2,962,083
Segment income (loss)		\$ 374,242	\$ 63,392	\$ 17,727	(\$ 31,250)	\$ 424,111

(3) Reconciliation for segment income (loss)

- A. The revenue from external customers reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income.
- B. A reconciliation of reportable segment income or loss to the income (loss) before tax from continuing operations is measured in a manner consistent with that in the statement of comprehensive income.

Opto Tech Corporation and subsidiaries

Loans to others

For the six-month period ended June 30, 2018

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the six-month period ended June 30, 2018	Balance at June 30, 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		Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 4)	Remark
													Item	Value			
0	Opto Tech Corp.	Opto Tech (Suzhou) Co., Ltd.	Other receivables-Related Parties	Yes	\$ 125,113	\$ 54,738	\$ 45,615	2.66625%	2	\$ -	Pay debt	\$ -	None	\$ -	\$ 725,486	\$ 2,901,945	
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables-Related Parties	Yes	29,436	25,893	25,893	-	1	197,241	None	-	None	-	197,241	26,533	

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 classified 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: Limit on loans granted to a single party, which has the needs of short-term financing with the Company should not exceed 10% of the Company's latest net asset value. Besides, limit on loans granted to a single party, which has business relationship with the subsidiaries should not exceed total amount that the two sides trade in the recent year.

Note 4: Total amount of loans of the Company should not exceed 40% of the net value of the Company's latest net asset value, and total amount of loans of the subsidiaries should not exceed 20% of the net values of the subsidiaries' latest net asset values.

Opto Tech Corporation and subsidiaries  
Provision of endorsements and guarantees to others  
For the six-month period ended June 30, 2018

Table 2

Expressed in thousands of TWD

Number (Note 1)	Endorser/ guarantor	Company name	Party being endorsed/guaranteed  Relationship with the endorser/ guarantor (Note 2)	Limit on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ guarantee amount as of June 30, 2018	Outstanding endorsement/ guarantee amount at June 30, 2018	Actual amount drawn down	Amount of endorsements/ guarantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary	Provision of endorsements/ guarantees by subsidiary to parent company	Provision of endorsements/ guarantees to the party in Mainland China	Remark
0	Opto Tech Corp.	CS Bright Corp.	2	\$ 1,450,972	\$ 58,943	\$ 30,000	\$ 15,000	\$ -	0.41%	\$ 3,627,431	Y	N	N	-
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	2	1,450,972	183,060	183,060	155,863	-	2.52%	3,627,431	Y	N	Y	-

Note 1: The numbers filled in for the endorsements/guarantees 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 between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following seven categories; fill in the number of category each case belongs to:

- (1) Having business relationship.
- (2)The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.
- (3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.
- (4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.
- (5) Mutual guarantee of the trade made by the endorsed/guaranteed company or joint contractor as required under the construction contract.
- (6) Due to joint venture, all shareholders provide endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.
- (7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Under the Company's "Procedures for Provision of Endorsements and Guarantees", the Company's total guarantees and endorsements to others should not exceed 50% of the Company's net asset value, and total guarantees and endorsements provided for a single party should not exceed 20% of the Company's net asset value. The calculation is shown below:

- (1) \$7,254,862 thousand dollars × 20% = \$1,450,972 thousand dollars
- (2) \$7,254,862 thousand dollars × 50% = \$3,627,431 thousand dollars

Opto Tech Corporation and subsidiaries

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

June 30, 2018

Table 3

Expressed in thousands of TWD

Securities held by	Type of marketable securities	Name of marketable securities	Relationship with the securities issuer	General ledger account	As of June 30, 2018				
					Number of shares	Book value	Ownership (%)	Fair value	Remark
Opto Tech Corp.	Stock	AXT, Inc.	None.	Financial assets at fair value through profit or loss	124,100	\$ -	-	\$ -	Note
"	"	Nichia Corp.	This company is the parent company of Nichia Taiwan Corp.	Financial assets at fair value through other comprehensive income	10,000	632,144	0.45	632,144	None
"	"	Viking Tech Corporation.	None.	"	3,073,994	216,717	2.62	216,717	None
"	"	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	12,551,625	90,839	6.38	90,839	None
"	"	Giga Epitaxy Technology Corp.	The Company is the director of this company.	Financial assets at fair value through other comprehensive income	13,794,000	45,955	19.00	45,955	None
"	"	Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company.	"	2,000,000	43,909	10.00	43,909	None
"	"	Top Increasing Technology Co., Ltd.	None.	Financial assets at fair value through profit or loss	10,000,000	-	16.67	-	None
Ho Chung Investment Co., Ltd.	"	Opto Tech Corp.	Parent company	"	887,698	26,098	0.20	26,098	None
Opto Tech (Suzhou) Co., Ltd.	Others	Jin Misa Technology Co., Ltd.	None.	Financial assets at fair value through other comprehensive income	-	-	15.00	-	None
Opto Tech Corp.	Fund	Yuanta Wan Tai Money Market fund	None.	Financial assets at fair value through profit or loss	5,398,741	81,475	None	81,475	None
"	"	Franklin Templeton Sinoam Money Market fund	None.	"	4,448,043	45,798	None	45,798	None
"	"	Capital Money Market fund	None.	"	635,397	10,213	None	10,213	None
"	"	UPAMC James Bond Money Market fund	None.	"	1,224,826	20,392	None	20,392	None
"	"	Taishin 1699 Money Market fund	None.	"	3,788,555	51,051	None	51,051	None
"	"	FSITC Taiwan Money Market fund	None.	"	5,355,704	81,624	None	81,624	None
"	"	Jih Sun Money Market fund	None.	"	692,329	10,218	None	10,218	None

Note : The 124,000 shares of AXT, Inc. which are owned by the Company, are preferred stocks.

Opto Tech Corporation and subsidiaries  
Purchases or sales of goods from or to related parties reaching NT\$100 million or 20% of paid-in capital or more  
For the six-month period ended June 30, 2018

Table 4

Expressed in thousands of NTD

Purchaser/seller	Counterparty	Relationship with the counterparty	Transaction				Differences in transaction terms compared to third party transactions			Notes/accounts receivable (payable)		Remark
			Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)		
Opto Tech Corp.	Shin-Etsu Opto Electronic Co., Ltd.	The company is the director of this company	Sales	(\$ 158,975)	(6.22%)	90 days	The unit prices are equivalent to third parties.	-	\$ 83,336	4.72%	-	

Opto Tech Corporation and subsidiaries  
 Significant inter-company transactions during the reporting periods  
 For the six-month period ended June 30, 2018

Table 5

Expressed in thousands of TWD

Number	Company name	Counterparty	Relationship	Transaction			Percentage of consolidated total operating revenues or total assets
				General ledger account	Amount	Transaction terms	
1	Opto Tech Corporation	Opto Tech (Suzhou) Co. Ltd.	1	Other receivable-related party	\$ 45,615	-	0.42%
2	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Accounts receivable	59,691	Note 4	0.55%
2	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Other receivable-related party	25,893	-	0.24%
3	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Sales	96,957	Note 4	3.59%
3	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Accounts receivable	51,608	Note 4	0.47%

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:

- (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 period to consolidated total operating revenues for income statement accounts.

Note 4: The unit sales prices are equivalent to third parties. The credit term was 30~85 days for the related parties.

Note 5: The disclosure standard requires above \$10,000 thousand for the transaction amount. Only assets and revenue are disclosed, related transactions are not disclosed.



Opto Tech Corporation and subsidiaries  
Information on investees  
For the six-month period ended June 30, 2018

Table 6

Expressed in thousands of TWD

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at June 30, 2018			Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
				Balance as of June 30, 2018	Balance as of December 31, 2017	Number of shares	Ownership (%)	Book value			
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding Company	\$ 443,110	\$ 443,110	14,000,000	100.00	(\$ 1,904)	(\$ 5,508)	(\$ 5,508)	Subsidiary of the Company
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	310,300	310,300	6,494,000	100.00	137,373	3,970	( 3,132)	Subsidiary of the Company
Opto Tech Corp.	Jyu Shin Investment Co., Ltd.	Taiwan	Investment business	125,687	125,687	16,868,706	100.00	356,208	14,716	14,716	Subsidiary of the Company
Opto Tech Corp.	Source Ever Limited	B.V. I.	International trading	-	5,725	-	-	-	( 68)	( 68)	Subsidiary of the Company (Note)
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	4,096	4,096	-	100.00	14,099	( 416)	( 416)	Subsidiary of the Company
Ho Chung Investment Co., Ltd.	VML TECHNOLOGIES B.V.	Netherlands	Manufacture and Design of system products	37,436	37,436	6,000	25.00	1,826	( 13,344)	( 3,336)	Investment accounted for using equity method
Jyu Shin Investment Co., Ltd.	CS Bright Corporation	Taiwan	Manufacture and Sales of Displays, SMD Lamps and other LED related products	50,170	50,170	4,993,562	99.87	143,805	14,520	14,502	Indirect subsidiary of the Company
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Investment business	171,332	171,332	5,100,000	100.00	8,395	( 2,261)	1,282	Indirect subsidiary
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Investment business	168,421	168,421	5,000,000	50.00	33,815	( 4,544)	( 2,272)	Indirect subsidiary
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding Company	294,360	294,360	9,000,000	100.00	( 40,842)	( 3,395)	( 3,395)	Indirect subsidiary
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Investment business	148,910	148,910	5,000,000	50.00	33,815	( 4,544)	( 2,272)	Indirect subsidiary

Opto Tech Corporation and subsidiaries  
Information on investments in Mainland China  
For the six-month period ended June 30, 2018

Table 7

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated	Amount	Amount	Accumulated	Net income of investee as of June 30, 2018	Ownership held by the Company (direct or indirect)	Investment income	Book value of investments in Mainland China as of June 30, 2018	Accumulated	Remark
				amount of remittance to Mainland China as of January 1, 2018	remitted to Mainland China during the period	remitted back to Taiwan during the period	amount of remittance to Mainland China as of June 30, 2018			(loss) recognised by the Company for the six-month period ended June 30, 2018 (Note 2)		amount of investment income remitted back to Taiwan as of June 30, 2018	
Opto Tech (Suzhou) Co., Ltd.	Research, Design and Manufacture of LED Display, Wireless Communication Equipment and related parts	\$ 294,708	(2)	\$ 294,708	\$ -	\$ -	\$ 294,708	(\$ 3,665)	100.00%	(\$ 3,665)	(\$ 49,469)	\$ -	-
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	( 4,544)	99.94%	( 4,542)	67,630	-	-

Note 1: The investment methods are classified into three categories as follows:

- (1) Directly investing in the investee company in Mainland China.
- (2) Through investing in an existing company in the third area, which then invested in the investee company in Mainland China. (Opto Tech (Cayman) Co., Ltd. invests Opto Tech (Suzhou) Co., Ltd. and Everyung Investment Ltd. invests Opto plus Technology Co., Ltd.)
- (3) Others.

Note 2: The investment income or loss was recognised by indirect weighted ownership based on the financial statements of these investees which were not reviewed by the independent accountants of the parent company for the corresponding periods.

Investments in Mainland China for the six-month period ended June 30, 2018:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2018	Investment	Ceiling on
		amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	\$ 612,049	\$ 612,557	\$ 4,352,917

Opto Tech Corporation and its subsidiaries  
 Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas  
 For the six-month period ended June 30, 2018

Table 8

Expressed in thousands of TWD

Investee in Mainland China	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing			Others	
	Amount	%	Amount	%	Balance at June 30, 2018	%	Balance at June 30, 2018	Purpose	Maximum balance during the six-month period ended June 30, 2018	Balance at June 30, 2018	Interest rate		Interest during the six-month period ended June 30, 2018
Opto Tech (Suzhou) Co., Ltd.	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ 125,113	\$ 54,738	2.66625%	\$ 596	None
Opto Plus Technology Co., Ltd.	( 5,426)	0.20	-	-	( 59,691)	3.30	183,060	Guarantee of bank line of credit	-	-	-	-	None
Opto Plus Technology Co., Ltd.	96,957	7.19	-	-	51,608	5.38	-	-	29,436	25,893	-	-	None