OPTO TECH CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2019 AND 2018

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

OPTO TECH CORPORATION

SEPTEMBER 30, 2019 AND 2018 CONSOLIDATED FINANCIAL STATEMENTS

AND REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

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REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

(19)PWCR 19000112

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 September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-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 statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3)B and 6(6), the amounts and information on the financial statements of insignificant consolidated subsidiaries and investments accounted for using the equity method were not reviewed by independent accountants. Those statements reflect total assets of NT$437,395 thousand and NT$775,625 thousand, constituting 4.32% and 7.67% of the consolidated total assets, and total liabilities of NT$170,376 thousand and NT$245,906 thousand, constituting 5.60% and 8.86% of the consolidated total liabilities as of September 30, 2019 and 2018, and total comprehensive income (including income and loss of the associates accounted for using the equity method) of NT$4,954 thousand and NT$15,048 thousand for the three-month periods ended September 30, 2019 and 2018, respectively, and NT$19,883 thousand and NT$22,925 thousand for the nine-month periods ended September 30, 2019 and 2018, constituting 2.53%, 19.04%, 4.44% and 3.16% of the consolidated 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 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 September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-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

November 7, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the review 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 reviewing 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 September 30, 2019 and 2018 are reviewed, not audited)

Assets	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
Current assets							
Cash and cash equivalents	6(1)	$ 2,532,739	25	$ 2,690,226	27	$ 2,419,582	24
Financial assets at fair value through profit or loss - current	6(2)	169,528	2	220,381	2	220,202	2
Notes receivable, net	6(4)	16,621	-	13,119	-	26,122	-
Accounts receivable - net	6(4)	1,729,384	17	1,575,749	16	1,692,670	17
Accounts receivable - related parties - net	6(4) and 7	53,478	-	78,517	1	96,259	1
Other receivables		22,026	-	12,793	-	16,409	-
Inventories - net	6(5)	1,175,222	12	1,331,401	13	1,377,913	14
Prepayments		64,355	1	26,410	-	31,376	-
Other current assets	8	43,474	-	24,488	-	24,563	-
Total current assets		5,806,827	57	5,973,084	59	5,905,096	58
Non-current assets							
Financial assets at fair value through profit or loss - non-current	6(2)	106,899	1	106,899	1	90,839	1
Financial assets at fair value through other comprehensive income or loss - non-current	6(3)	863,643	8	871,546	9	827,915	8
Investments accounted for using equity method	6(6)	6,311	-	641	-	896	-
Property, plant and equipment - net	6(7)	2,920,810	29	3,071,603	30	3,091,577	31
Right-of-use assets	6(8)	257,426	3	-	-	-	-
Intangible assets	6(9)	11,408	-	8,840	-	9,853	-
Deferred tax assets		95,742	1	107,588	1	121,655	1
Other non-current assets		63,613	1	54,131	-	67,066	1
Total non-current assets		4,325,852	43	4,221,248	41	4,209,801	42
Total assets		$ 10,132,679	100	$ 10,194,332	100	$ 10,114,897	100

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

		September 30, 2019		December 31, 2018		September 30, 2018	
Liabilities and Equity	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%
Current liabilities							
Short-term loans	6(10)	$ 241,540	3	$ 737,660	7	$ 902,629	9
Notes payable		2,792	-	33	-	908	-
Accounts payable		620,205	6	574,007	6	685,454	7
Accounts payable - related parties	7	94,113	1	87,963	1	127,605	1
Other payables	6(11)	590,496	6	599,528	6	622,603	6
Other payables - related parties	7	656	-	-	-	-	-
Current income tax liabilities		77,905	1	69,490	1	53,982	1
Provisions for liabilities - current	6(14)	9,844	-	11,970	-	11,915	-
Current lease liabilities		20,381	-	-	-	-	-
Other current liabilities		37,669	-	45,855	-	28,803	-
Total current liabilities		1,695,601	17	2,126,506	21	2,433,899	24
Non-current liabilities							
Long-term loans	6(12)	832,144	8	250,000	2	60,000	1
Provisions for liabilities - non-current	6(14)	15,620	-	22,259	-	30,394	-
Deferred tax liabilities		68,899	1	68,942	1	52,152	-
Non-current lease liabilities		234,442	2	-	-	-	-
Other non-current liabilities		195,969	2	195,777	2	199,717	2
Total non-current liabilities		1,347,074	13	536,978	5	342,263	3
Total liabilities		3,042,675	30	2,663,484	26	2,776,162	27
Equity attributable to owners of parent							
Capital	6(15)						
Common stock		3,786,228	37	4,454,386	44	4,454,386	44
Capital reserve	6(16)						
Capital surplus		702,965	7	702,521	7	702,521	7
Retained earnings	6(17)						
Legal reserve		669,312	7	604,001	6	604,001	6
Special reserve		8,392	-	-	-	-	-
Unappropriated earnings		1,700,543	17	1,537,426	15	1,370,973	14
Other equity adjustments	6(18)						
Other equity interest		242,091	2	253,376	2	227,721	2
Treasury stocks	6(15)						
Treasury stocks		(23,172)	-	(24,503)	-	(24,503)	-
Equity attributable to owners of parent		7,086,359	70	7,527,207	74	7,335,099	73
Non-controlling interest		3,645	-	3,641	-	3,636	-
Total equity		7,090,004	70	7,530,848	74	7,338,735	73
Significant contingent liabilites and unrecognised contract commitments	9						
Significant events after the balance sheet date	11						
Total liabilities and equity		$ 10,132,679	100	$ 10,194,332	100	$ 10,114,897	100

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)
(REVIEWED, NOT AUDITED)

		Three-month periods ended September 30				Nine-month periods ended September 30			
		2019		2018		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Operating revenue	6(19) and 7	$ 1,546,639	100	$ 1,404,552	100	$ 4,126,859	100	$ 4,104,038	100
Operating costs	6(5)(23)(24) and 7	(1,034,345)	(67)	(968,191)	(69)	(2,853,218)	(69)	(2,848,509)	(69)
Gross profit, net		512,294	33	436,361	31	1,273,641	31	1,255,529	31
Operating expenses	6(23)(24)								
Selling expenses		(37,031)	(2)	(31,203)	(2)	(93,315)	(2)	(97,648)	(2)
General and administrative expenses		(142,070)	(9)	(116,630)	(8)	(360,978)	(9)	(360,985)	(9)
Research and development expenses		(99,361)	(7)	(80,071)	(6)	(264,620)	(6)	(238,898)	(6)
Reversal of expected credit loss on financial assets	12(2)	2,566	-	1,598	-	104	-	1,754	-
Total operating expenses		(275,896)	(18)	(226,306)	(16)	(718,809)	(17)	(695,777)	(17)
Operating income		236,398	15	210,055	15	554,832	14	559,752	14
Non-operating income and expenses									
Other income	6(20)	20,424	1	8,044	1	65,392	2	37,554	1
Other gains and losses	6(21)	(2,052)	-	(706)	-	7,979	-	6,496	-
Finance costs	6(22)	(8,915)	-	(6,593)	(1)	(25,519)	(1)	(19,874)	(1)
Share of profit (loss) of associates and joint ventures accounted for using equity method	6(6)	3,760	-	(957)	-	5,766	-	(4,293)	-
Total non-operating income and expenses		13,217	1	(212)	-	53,618	1	19,883	-
Profit before income tax		249,615	16	209,843	15	608,450	15	579,635	14
Income tax expense	6(25)	(51,760)	(3)	(34,504)	(2)	(148,906)	(4)	(93,609)	(2)
Net income		$ 197,855	13	$ 175,339	13	$ 459,544	11	$ 486,026	12

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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)
(REVIEWED, NOT AUDITED)

		Three-month periods ended September 30				Nine-month periods ended September 30			
		2019		2018		2019		2018	
Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
Other comprehensive income (loss)									
Items that will not be reclassified to profit or loss									
Unrealised gains (loss) on valuation of financial assets at fair value through other comprehensive income	6(3)(18)	$ 1,150	-	($ 95,660)	(7)	($ 7,903)	-	$ 239,837	6
Items that will be reclassified subsequently to profit or loss									
Currency translation differences of foreign operations	6(18)	(3,094)	-	(658)	-	(3,287)	-	(147)	-
Share of other comprehensive gains (loss) of associates and joint ventures accounted for using equity method	6(6)(18)	(83)	-	27	-	(96)	-	(46)	-
Total other comprehensive loss that will be reclassified to profit or loss, net of tax		(3,177)	-	(631)	-	(3,383)	-	(193)	-
Other comprehensive income (loss) for the period, net of income tax		($ 2,027)	-	($ 96,291)	(7)	($ 11,286)	-	$ 239,644	6
Total comprehensive income for the period		$ 195,828	13	$ 79,048	6	$ 448,258	11	$ 725,670	18
Profit attributable to:									
Owners of the parent		$ 197,854	13	$ 175,330	13	$ 459,539	11	$ 485,998	12
Non-controlling interest		1	-	9	-	5	-	28	-
		$ 197,855	13	$ 175,339	13	$ 459,544	11	$ 486,026	12
Total comprehensive income attributable to:									
Owners of the parent		$ 195,828	13	$ 79,039	6	$ 448,254	11	$ 725,642	18
Non-controlling interest		-	-	9	-	4	-	28	-
		$ 195,828	13	$ 79,048	6	$ 448,258	11	$ 725,670	18
Earnings per share									
Profit for the period	6(26)	$ 0.50		$ 0.39		$ 1.07		$ 1.09	
Diluted earnings per share									
Profit for the period	6(26)	$ 0.49		$ 0.39		$ 1.06		$ 1.08	

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)
(REVIEWED, NOT AUDITED)

		Equity attributable to owners of the parent											
				Retained Earnings			Other equity interest						
	Note	Common stock	Capital reserve	Legal reserve	Special reserve	Unappropriated earnings	Financial statements translation differences of foreign operations	Unrealized 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	Total	Non-controlling interest	Total equity
For the nine-month period ended September 30, 2018													
Balance at January 1, 2018		$ 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		-	-	-	-	485,998	-	-	-	-	485,998	28	486,026
Other comprehensive income (loss) for the period	6(3)(18)	-	-	-	-	-	(193)	239,837	-	-	239,644	-	239,644
Total comprehensive income (loss)		-	-	-	-	485,998	(193)	239,837	-	-	725,642	28	725,670
Distribution of 2017 earnings:	6(17)												
Legal reserve		-	-	67,228	-	(67,228)	-	-	-	-	-	-	-
Special reserve		-	-	-	(59,227)	59,227	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(601,342)	-	-	-	-	(601,342)	-	(601,342)
Other adjustments of capital reserve:													
Adjustments to net difference of subsidiary book value		-	1,198	-	-	-	-	-	-	-	1,198	-	1,198
Disposal of financial assets at fair value through other comprehensive income	6(3)(18)	-	-	-	-	227,814	-	(238,478)	-	-	(10,664)	-	(10,664)
Balance at September 30, 2018		$ 4,454,386	$ 702,521	$ 604,001	$ -	$ 1,370,973	$ 1,768	$ 225,953	$ -	($ 24,503)	$ 7,335,099	$ 3,636	$ 7,338,735
For the nine-month period ended September 30, 2019													
Balance at January 1, 2019		$ 4,454,386	$ 702,521	$ 604,001	$ -	$ 1,537,426	$ 2,021	$ 251,355	$ -	($ 24,503)	$ 7,527,207	$ 3,641	$ 7,530,848
Net income for the period		-	-	-	-	459,539	-	-	-	-	459,539	5	459,544
Other comprehensive loss for the period	6(3)(18)	-	-	-	-	-	(3,382)	(7,903)	-	-	(11,285)	(1)	(11,286)
Total comprehensive income (loss)		-	-	-	-	459,539	(3,382)	(7,903)	-	-	448,254	4	448,258
Distribution of 2018 earnings:	6(17)												
Legal reserve		-	-	65,311	-	(65,311)	-	-	-	-	-	-	-
Special reserve		-	-	-	8,392	(8,392)	-	-	-	-	-	-	-
Cash dividends		-	-	-	-	(222,719)	-	-	-	-	(222,719)	-	(222,719)
Other adjustments of capital reserve:													
Adjustments to net difference of subsidiary book value		-	444	-	-	-	-	-	-	-	444	-	444
Capital reduction	6(15)	(668,158)	-	-	-	-	-	-	-	1,331	(666,827)	-	(666,827)
Balance at September 30, 2019		$ 3,786,228	$ 702,965	$ 669,312	$ 8,392	$ 1,700,543	($ 1,361)	$ 243,452	$ -	($ 23,172)	$ 7,086,359	$ 3,645	$ 7,090,004

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)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30, 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 608,450	$ 579,635
Adjustments			
Income and expenses having no effect on cash flows			
Reversal of expected credit loss on financial assets	12(2)	(104)	(1,754)
Depreciation	6(7)(8)(23)	355,773	319,091
Amortization	6(9)(23)	9,184	9,218
Amortization of land use right		-	80
Net loss on financial assets and liabilities at fair value through profit or loss	6(2)(21)	853	63
Interest expense	6(22)	24,610	19,790
Interest income	6(20)	(12,384)	(10,036)
Dividend income	6(20)	(20,051)	(15,027)
Share of (profit) loss of associates accounted for using equity method	6(6)	(5,766)	4,293
Gain on disposal of investments	6(21)	(2,003)	(1,188)
Loss on disposal of property, plant and equipment	6(7)(21)	-	617
Changes in assets/liabilities relating to operating activities			
Changes in operating assets			
Acquisition of financial assets at fair value through profit or loss		52,003	81,188
Notes receivable - net		(3,502)	(1,134)
Accounts receivable - net		(154,842)	(245,463)
Accounts receivable - related parties - net		25,994	699
Other receivables		(9,384)	(4,997)
Inventories - net		156,179	(279,962)
Prepayments		(37,945)	23,951
Other current assets		464	757
Other non-current assets		(13,283)	(1,109)
Net changes in liabilities relating to operating activities			
Notes payable		2,759	(1,250)
Accounts payable		46,198	53,881
Accounts payable - related parties		6,150	(32,930)
Other payables		(9,174)	85,823
Other payables - related parties		656	-
Other current liabilities		(8,186)	(31,391)
Provisions for liabilities		(8,950)	(5,084)
Net defined benefit liability		940	1,325
Cash inflow generated from operations		1,004,639	549,086
Interest received		12,535	9,757
Dividends received		20,051	15,027
Interest paid		(24,468)	(19,596)
Income tax paid		(128,688)	(152,357)
Net cash flows from operating activities		884,069	401,917

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OPTO TECH CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(REVIEWED, NOT AUDITED)

	Notes	For the nine-month periods ended September 30, 2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of financial assets at fair value through other comprehensive income	6(3)	$ -	$ 551,163
Acquisition of property, plant and equipment	6(7)	(191,624)	(538,317)
Proceeds from disposal of property, plant and equipment		-	45
Acquisition of intangible assets	6(9)	(11,752)	(10,020)
Decrease in deposits-out		3,801	5,102
Increase in other financial assets		(19,450)	-
Net cash flows (used in) from investing activities		(219,025)	7,973
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term loans	6(28)	861,921	1,789,053
Decrease in short-term loans	6(28)	(1,355,000)	(1,790,928)
Increase in long-term loans	6(28)	830,695	60,000
Decrease in long-term loans	6(28)	(250,000)	-
Decrease in lease principal	6(28)	(15,925)	-
Decrease in guarantee deposits	6(28)	(748)	(976)
Payment of cash dividends	6(17)	(222,275)	(600,144)
Payment of capital reduction	6(15)	(666,827)	-
Net cash flows used in financing activities		(818,159)	(542,995)
Effect of changes in exchange rate		(4,372)	8,112
Net decrease in cash and cash equivalents		(157,487)	(124,993)
Cash and cash equivalents at beginning of period		2,690,226	2,544,575
Cash and cash equivalents at end of period		$ 2,532,739	$ 2,419,582

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

OPTO TECH CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)
(REVIEWED, NOT AUDITED)

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 Financial Statements and Procedures for Authorization

These consolidated financial statements were reported to the Board of Directors on November 7, 2019.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments 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'

A. IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets).

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the 'modified retrospective approach') when applying "IFRSs" effective in 2019 as endorsed by the FSC. Accordingly, the Group increased 'right-of-use asset' by $269,990, increased 'lease liability' by $265,950, decreased 'long-term prepaid rents' by $3,584 and decreased prepaid rents by $456 with respect to the lease contracts of lessees on January 1, 2019.

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

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

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

(c) The accounting for operating leases whose period will end before December 31, 2019 as short-term leases and accordingly, rent expense of $7,050 was recognised in the 3rd quarter of 2019.

D. The Group calculated the present value of lease liabilities by using the weighted average incremental borrowing interest rate of 1.797%.

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

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 316,645
Less: Short-term leases	(9,865)
Total lease contract amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	$ 306,780
Incremental borrowing interest rate at the date of initial application	1.797%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 265,950

(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 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

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

(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:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

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

4. Summary of Significant Accounting Policies

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparation, 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, 2018.

(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.

(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.

(3) Basis of consolidation

A. The basis for preparation of consolidated financial statements are consistent with those of the year ended December 31, 2018.

B. Subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Main Business Activities	Ownership (%) September 30, 2019	Ownership (%) December 31, 2018	Ownership (%) September 30, 2018	Description
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)	Holding company	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	Note 4 and 5
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd. (Opto Macao)	Holding company	100.00	100.00	100.00	Note 5
Opto Tech Corp.	CS Bright Corporation (CSB)	Manufacture and sales of LED and electronic products	99.87	99.87	-	Note 4 and 5
Opto	Opto Tech (Cayman) Co., Ltd. (Cayman)	Holding company	100.00	100.00	100.00	Notes 3 and 5
Opto	Everyung Investment Ltd. (Everyung)	Holding company	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	Note 4 and 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
CSB	Bright Investment International Ltd. (Bright)	Holding company	100.00	100.00	100.00	Note 5
Bright	Everyung Investment Ltd. (Everyung)	Holding company	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 755 thousand shares and disposed 352 thousand shares since 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 September 30, 2019, the liquidation is still under process.

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

Note 4: On November 8, 2018, the Board of Directors at their meeting resolved to enter into a short-form merger with its subsidiary, Jyu Shin Investment. Under the merger, the Company will be the surviving company while Jyu Shin Investment will be the dissolved company. The effective date is December 10, 2018.

Note 5: The financial statements of the insignificant subsidiaries as of and for the nine-month periods ended September 30, 2019 and 2018 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) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

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

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are fixed payments, less any lease incentives receivable. The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

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

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

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

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

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

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

(5) 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. Also, the related information is disclosed accordingly.

(6) 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 September 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. Details of Significant Accounts

(1) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	$ 576	$ 608	$ 622
Checking demand deposits	509,625	502,047	480,649
Time deposits	1,642,538	1,727,571	1,678,311
Cash equivalents - Resale bonds	380,000	460,000	260,000
Total	$ 2,532,739	$ 2,690,226	$ 2,419,582

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 $40,310 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

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Funds	$ 165,000	$ 215,000	$ 215,000
Valuation adjustment			
Funds	4,068	5,140	4,873
Forward exchange contracts	460	241	329
Total	$ 169,528	$ 220,381	$ 220,202
Non-current items:			
Financial assets mandatorily measured at fair value through profit and loss			
Unlisted stocks	$ 127,048	$ 127,048	$ 127,049
Valuation adjustment	(20,149)	(20,149)	(36,210)
Total	$ 106,899	$ 106,899	$ 90,839

A. The Group recognised net (loss) gain of ($1,220), $4,696, ($853) and ($63) on financial assets measured at fair value through profit or loss for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

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

	September 30, 2019	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Assets - Current items:		
Forward exchange contracts	USD $ 1,000 (thousands)	August 5, 2019~ October 3, 2019

	December 31, 2018	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Assets - Current items:		
Forward exchange contracts	USD $ 3,000 (thousands)	December 6, 2018~ January 17, 2019

	September 30, 2018	
Derivative Instruments	Contract Amount (Nominal Principal)	Contract period
Assets - Current items:		
Forward exchange contracts	USD $ 2,000 (thousands)	August 31, 2018~ October 11, 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.

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

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 73,574	$ 73,574	$ 73,574
Unlisted stocks	477,809	477,809	477,809
Subtotal	551,383	551,383	551,383
Valuation adjustment	312,260	320,163	276,532
Total	$ 863,643	$ 871,546	$ 827,915

A. The Group has elected to classify equity instruments 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 $863,643, $871,546 and $827,915 as at September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

B. The Group sold $15,150 and $551,163 of stocks of Viking Tech Corporation at fair value and resulted in cumulative gains of $10,030 and $227,814 on disposal during the three-month and nine-month periods ended September 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:

	For the three-month periods ended September 30,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	$ 1,150	($ 95,660)
Cumulative gains reclassified to retained earnings due to recognition	$ -	($ 10,030)
Dividend income recognised in profit or loss		
Held at end of period	$ 3,449	$ 1,437

	For the nine-month periods ended September 30,	
	2019	2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income	($ 7,903)	$ 239,837
Cumulative gains reclassified to retained earnings due to recognition	$ -	($ 238,478)
Dividend income recognised in profit or loss		
Held at end of period	$ 20,051	$ 15,027

(4) Notes and accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Notes receivable	$ 16,621	$ 13,119	$ 26,122
Accounts receivable	1,752,536	1,625,237	1,743,017
Accounts receivable - related parties	53,478	79,472	98,023
Less: Allowance for doubtful accounts	(23,152)	(49,488)	(50,347)
Allowance for doubtful accounts - related parties	-	(955)	(1,764)
	$ 1,799,483	$ 1,667,385	$ 1,815,051

As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable and notes receivable were all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $1,621,264.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Without past due	$ 1,693,186	$ 1,595,445	$ 1,711,097
Up to 180 days	90,085	68,875	91,519
181 to 360 days	3,203	7,098	5,004
Over 361 days	19,540	33,291	33,420
	$ 1,806,014	$ 1,704,709	$ 1,841,040

The ageing analysis was based on the past due collection date.

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

	September 30, 2019	December 31, 2018	September 30, 2018
Without past due	$ 16,621	$ 13,119	$ 26,122

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

	September 30, 2019	December 31, 2018	September 30, 2018
Raw materials	$ 280,096	$ 364,099	$ 415,030
Supplies	222,129	210,858	215,951
Work in process	288,648	286,521	360,609
Semi-finished goods	71,747	152,427	55,253
Finished goods	312,602	317,496	331,070
Total	$ 1,175,222	$ 1,331,401	$ 1,377,913

The cost of inventories recognised as expense for the period:

	For the three-month periods ended September 30,	
	2019	2018
Cost of goods sold	$ 1,069,357	$ 971,109
Loss on (gain from reversal of) decline in market value	(35,012)	(2,918)
	$ 1,034,345	$ 968,191

	For the nine-month periods ended September 30,	
	2019	2018
Cost of goods sold	$ 2,876,050	$ 2,861,885
Loss on (gain from reversal of) decline in market value	(22,832)	(13,376)
	$ 2,853,218	$ 2,848,509

During the three-month and nine-month periods ended September 30, 2018 and 2019, the Group reversed a previous inventory write-down which was accounted for as reduction of cost of goods sold because prices of products increased and inventory of low-priced stocks declined.

(6) Investments accounted for using equity method

	2019	2018
At January 1	$ 641	$ 5,235
Share of profit (loss) of investments accounted for using equity method	5,766	(4,293)
Change in other equity items (Note 6(18))	(96)	(46)
At September 30	$ 6,311	$ 896

Associated enterprises	September 30, 2019	December 31, 2018	September 30, 2018
VML TECHNOLOGIES B.V.	$ 6,311	$ 641	$ 896

(7) Property, plant and equipment

	2019								
At January 1	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
Cost	$ 2,027,334	$ 5,520,427	$ 1,097,977	$ 706,514	$ 8,969	$ 76,724	$ 1,899,447	$ 174,848	$ 11,512,240
Accumulated depreciation	(1,081,716)	(4,251,295)	(947,667)	(577,068)	(6,863)	(64,280)	(1,503,780)	-	(8,432,669)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(83)	-	(7,968)
	$ 945,559	$ 1,261,325	$ 150,310	$ 129,446	$ 2,106	$ 12,425	$ 395,584	$ 174,848	$ 3,071,603
For the nine-month period ended September 30									
Opening net book amount	$ 945,559	$ 1,261,325	$ 150,310	$ 129,446	$ 2,106	$ 12,425	$ 395,584	$ 174,848	$ 3,071,603
Additions	6,652	22,542	10,373	3,902	-	1,203	16,156	130,796	191,624
Reclassifications	1,152	180,878	7,285	7,516	-	-	31,463	(228,294)	-
Depreciation expense	(44,159)	(209,452)	(21,209)	(12,602)	(545)	(3,236)	(47,229)	-	(338,432)
Net exchange differences	(3,094)	(877)	-	-	(14)	-	-	-	(3,985)
Closing net book amount	$ 906,110	$ 1,254,416	$ 146,759	$ 128,262	$ 1,547	$ 10,392	$ 395,974	$ 77,350	$ 2,920,810
At September 30									
Cost	$ 2,028,390	$ 5,585,860	$ 1,115,635	$ 717,932	$ 8,719	$ 77,095	$ 1,946,828	$ 77,350	$ 11,557,809
Accumulated depreciation	(1,122,221)	(4,324,702)	(968,876)	(589,670)	(7,172)	(66,684)	(1,550,771)	-	(8,630,096)
Accumulated impairment	(59)	(6,742)	-	-	-	(19)	(83)	-	(6,903)
	$ 906,110	$ 1,254,416	$ 146,759	$ 128,262	$ 1,547	$ 10,392	$ 395,974	$ 77,350	$ 2,920,810

	2018								
At January 1	Buildings and structures	Machinery	Utility facilities	Pollution prevention facilities	Transportation equipment	Office equipment	Other equipment	Construction in progress and prepayment for equipment	Total
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)
	$ 999,402	$ 1,087,981	$ 143,269	$ 114,723	$ 2,592	$ 5,617	$ 386,556	$ 137,628	$ 2,877,768
For the nine-month period ended September 30									
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	2,013	55,350	12,147	3,068	-	1,547	16,146	448,046	538,317
Disposals	-	(51)	-	-	(177)	-	(434)	-	(662)
Reclassifications	2,262	239,980	10,321	25,964	-	9,332	31,552	(319,411)	-
Depreciation expense	(45,728)	(199,824)	(17,567)	(10,493)	(691)	(3,835)	(40,953)	-	(319,091)
Net exchange differences	(3,601)	(1,137)	-	-	(12)	(5)	-	-	(4,755)
Closing net book amount	$ 954,348	$ 1,182,299	$ 148,170	$ 133,262	$ 1,712	$ 12,656	$ 392,867	$ 266,263	$ 3,091,577
At September 30									
Cost	$ 2,020,310	$ 5,381,135	$ 1,088,305	$ 706,387	$ 8,343	$ 75,476	$ 1,882,167	$ 266,263	$ 11,428,386
Accumulated depreciation	(1,065,903)	(4,191,029)	(940,135)	(573,125)	(6,631)	(62,801)	(1,489,216)	-	(8,328,840)
Accumulated impairment	(59)	(7,807)	-	-	-	(19)	(84)	-	(7,969)
	$ 954,348	$ 1,182,299	$ 148,170	$ 133,262	$ 1,712	$ 12,656	$ 392,867	$ 266,263	$ 3,091,577

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

	For the nine-month periods ended September 30,	
	2019	2018
Amount capitalized	$ 842	$ 1,609
Interest rate	0.45%~1.41%	0.58%~1.40%

(8) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land, buildings and business vehicles. Rental contracts are typically made for periods of 3 to 20 years.

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

	September 30, 2019	For the three-month period ended September 30, 2019
	Carrying amount	Depreciation charge
Land	$ 242,671	$ 3,830
Buildings	8,759	786
Transportation equipment (Business vehicles)	3,765	987
Office equipment (Internet equipment)	2,231	230
	$ 257,426	$ 5,833

	For the nine-month period ended September 30, 2019
	Depreciation charge
Land	$ 11,490
Buildings	2,344
Transportation equipment (Business vehicles)	2,969
Office equipment (Internet equipment)	538
	$ 17,341

C. For the three-month and nine-month periods ended September 30, 2019, the additions to right-of-use assets amounted to $0 and $4,874, respectively.

D. The information on income and expense accounts relating to lease contracts is as follows:

	For the three-month period ended September 30, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 1,161
Expense on short-term lease contracts	$ 2,350

	For the nine-month period ended September 30, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 3,151
Expense on short-term lease contracts	$ 7,050

E. For the three-month period and nine-month periods ended September 30, 2019, the Group's total cash outflow for leases amounted to $8,787 and $26,126, respectively.

(9) Intangible assets

	2019
	Software
At January 1	
Cost	$ 31,627
Accumulated amortisation	(22,787)
	$ 8,840
For the nine-month period ended September 30	
Opening net book amount	$ 8,840
Additions	11,752
Amortisation expense	(9,184)
Closing net book amount	$ 11,408
At September 30	
Cost	$ 32,363
Accumulated amortisation	(20,955)
	$ 11,408

	2018
	Software
At January 1	
Cost	$ 32,231
Accumulated amortisation	(23,180)
	$ 9,051
For the nine-month period ended September 30	
Opening net book amount	$ 9,051
Additions	10,020
Amortisation expense	(9,218)
Closing net book amount	$ 9,853
At September 30	
Cost	$ 29,722
Accumulated amortisation	(19,869)
	$ 9,853

Details of amortisation on intangible assets are as follows:

	For the three-month periods ended September 30,	
	2019	2018
Operating costs	$ 987	$ 1,012
Selling expenses	171	163
General and administration expenses	1,213	1,132
Research and development expenses	640	677
Total	$ 3,011	$ 2,984

	For the nine-month periods ended September 30,	
	2019	2018
Operating costs	$ 2,952	$ 3,168
Selling expenses	500	529
General and administration expenses	3,763	3,512
Research and development expenses	1,969	2,009
Total	$ 9,184	$ 9,218

(10) Short-term borrowings

Type of borrowings	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank borrowings	$ 241,540	$ 737,660	$ 902,629
Interest rate range	0.53%~5.25%	0.53%~5.25%	0.53%~5.25%

(11) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Salaries and bonus payable	$ 170,495	$ 177,565	$ 145,254
Compensation payable to employee	113,972	112,897	124,454
Remuneration payable to directors and supervisors	37,946	37,632	37,603
Others	268,083	271,434	315,292
Total	$ 590,496	$ 599,528	$ 622,603

(12) Long-term borrowings

Type of borrowings	Credit line	Period	Interest rate range	September 30, 2019
Syndicated borrowings with four financial institutions including China Trust Commercial Bank (Unsecured)	$ 1,200,000	2019.02.20~ 2022.02.20	1.797%~ 3.730%	$ 832,144
Less: Current portion (shown as "Other non-current liabilities")				-
				$ 832,144

Type of borrowings	Credit line	Period	Interest rate range	December 31, 2018
Bank borrowings from Land Bank of Taiwan (Unsecured)	$ 200,000	2018.09.20~ 2021.08.28	1.30%	$ 200,000
Bank borrowings from Mega Bank (Unsecured)	300,000	2018.12.06~ 2021.06.07	1.83%	50,000
Less: Current portion (shown as "Other non-current liabilities")				-
				$ 250,000

Type of borrowings	Credit line	Period	Interest rate range	September 30, 2018
Bank borrowings from Land Bank of Taiwan (Unsecured)	$ 60,000	2018.09.20~ 2021.08.28	1.30%	$ 60,000
Less: Current portion (shown as "Other non-current liabilities")				-
				$ 60,000

A. On January 15, 2019, the Company signed a joint credit facility of $1.2 billion with four financial institutions including China Trust Commercial Bank. The loan agreement includes the following covenants:

(a) The current ratio should be no less than 100% per half year.

(b) The debt ratio should not be higher than 100%.

(c) The interest coverage ratio shall not be less than 300%.

(d) The tangible net value shall be maintained at more than 5 billion yuan (inclusive).

If the Company fails to meet the required financial ratios, the bank will stop the allocation. In case of violation of the contract, the bank has the right to ask the Company to repay in full the unpaid balance of the loan in advance.

B. Although the long-term borrowing contracts are due on June 7, 2021 and August 28, 2021, the Company had settled the loan in advance on February 20, 2019 due to financial planning considerations.

(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 contributes monthly an amount equal to 3.35% 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 and CS Bright Corporation 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 qualify for retirement in the following year, the Company and CS Bright Corporation will make contributions to cover the deficit.

(b) For the aforementioned pension plan, the Group recognised pension costs of $2,605, $2,873, $7,814 and $8,619 for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2019 amount to $9,682.

B. (a) Effective July 1, 2005, the Company and 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 the nine-month periods ended September 30, 2019 and 2018 were both 14%. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 were $9,433, $10,059, $28,621 and $30,127, respectively.

(14) Provisions

Warranty	2019	2018
At January 1	$ 34,229	$ 48,225
Accrued during the period	(1,123)	4,332
Used during the period	(7,827)	(9,416)
Exchange differences	185	(832)
At September 30	$ 25,464	$ 42,309

Analysis of total provisions:

	September 30, 2019	December 31, 2018	September 30, 2018
Current	$ 9,844	$ 11,970	$ 11,915
Non-current	$ 15,620	$ 22,259	$ 30,394

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

(15) Share capital

A. As of September 30, 2019, 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 $3,786,228, consisting of 378,623 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 the nine-month periods ended September 30, 2019 and 2018 are as follows (Treasury stock was deducted):

(In thousands of shares)

	2019	2018
At January 1	444,551	444,551
Capital reduction	(66,683)	-
At September 30	377,868	444,551

B. On April 25, 2019, the Board of Directors proposed a capital reduction of 668,158 thousand, representing 66,816 thousand shares of outstanding shares whose ratio is around 15%. The capital reduction was resolved in the shareholders' meeting on June 13, 2019, and the Company submitted an application to FSC for registration. Subsequently, the Company obtained the registration of the capital reduction on July 18, 2019, with the effective date set on July 26, 2019. The return of the share payment has been completed on September 23, 2019.

C. Treasury stock

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

(In thousands of shares)

Name of company holding the shares	Reason for reacquisition	September 30, 2019 Number of Shares (thousand)	September 30, 2019 Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	755	$ 23,172

Name of company holding the shares	Reason for reacquisition	December 31, 2018 Number of Shares (thousand)	December 31, 2018 Carrying amount
The Company Subsidiary-Ho Chung Investment Co., Ltd.	The Company's shares held by its subsidiary	888	$ 24,503

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

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

(c) As abovementioned in point B, the number of shares of the Company held by the subsidiary-Ho Chung Investment Co., Ltd. was decreased by 133 thousand shares and the carrying amount of the treasury stocks was decreased by $1,331 as result of the capital reduction in the third quarter of 2019.

(16) 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.

(17) 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) Aside from some of accumulated unappropriated retained earnings will be reserved, remaining retained earnings will be allocated to shareholders as dividends. 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 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 13, 2019 and June 20, 2018, respectively. Details are summarized below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 65,311		$ 67,228	
Special reserve	8,392		(59,227)	
Cash dividends	222,719	$ 0.50	601,342	$ 1.35
Total	$ 296,422		$ 609,343	

The abovementioned 2018 earnings appropriation as approved by the stockholders were in agreements with those amounts approved by the Board of Directors on April 25, 2019.

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.

(18) Other equity items

	2019		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	$ 2,021	$ 251,355	$ 253,376
Financial assets at fair value through other comprehensive income			
Revaluation - Group	-	(7,903)	(7,903)
Currency translation differences:			
-Group	(3,286)	-	(3,286)
-Associates	(96)	-	(96)
At September 30	($ 1,361)	$ 243,452	$ 242,091

	2018		
	Currency translation differences of foreign operations	Unrealized gain (loss) on valuation	Total
At January 1	$ 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	-	239,837	239,837
Revaluation transferred to retained earnings	-	(238,478)	(238,478)
Currency translation differences:			
-Group	(147)	-	(147)
-Associates	(46)	-	(46)
At September 30	$ 1,768	$ 225,953	$ 227,721

(19) Operating revenue

	For the three-month periods ended September 30,	
	2019	2018
Revenue from contracts with customers	$ 1,546,639	$ 1,404,552

	For the nine-month periods ended September 30,	
	2019	2018
Revenue from contracts with customers	$ 4,126,859	$ 4,104,038

The Group derives revenue in the following major product lines:

For the three-month period ended September 30, 2019	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	$ 1,115,748	$ 350,299	$ 78,935	$ 1,657	$ 1,546,639

For the three-month period ended September 30, 2018	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	$ 1,097,930	$ 230,454	$ 75,203	$ 965	$ 1,404,552

For the nine-month period ended September 30, 2019	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	$ 2,945,985	$ 956,159	$ 216,127	$ 8,588	$ 4,126,859

For the nine-month period ended September 30, 2018	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customer contracts	$ 3,145,529	$ 732,098	$ 224,005	$ 2,406	$ 4,104,038

(20) Other income

	For the three-month periods ended September 30, 2019	For the three-month periods ended September 30, 2018
Interest income:		
Interest income from bank deposits	$ 3,318	$ 2,660
Interest income from resale bonds	541	363
Other interest income	2	319
Rental revenue	20	20
Dividend income	3,449	1,437
Others	13,094	3,245
Total	$ 20,424	$ 8,044

	For the nine-month periods ended September 30, 2019	For the nine-month periods ended September 30, 2018
Interest income:		
Interest income from bank deposits	$ 10,638	$ 7,945
Interest income from resale bonds	1,466	1,147
Other interest income	280	944
Rental revenue	60	447
Dividend income	20,051	15,027
Others	32,897	12,044
Total	$ 65,392	$ 37,554

(21) Other gains and losses

	For the three-month periods ended September 30, 2019	For the three-month periods ended September 30, 2018
Loss on disposal of property, plant and equipment	$ -	($ 51)
Gain on disposal of investments	2,003	1,188
Net currency exchange loss	(2,576)	(6,546)
Net (loss) gain on financial assets and liabilities at fair value through profit or loss	(1,220)	4,696
Others	(259)	7
Total	($ 2,052)	($ 706)

	For the nine-month periods ended September 30, 2019	For the nine-month periods ended September 30, 2018
Loss on disposal of property, plant and equipment	$ -	($ 617)
Gain on disposal of investments	2,003	1,188
Net currency exchange gain	7,864	7,020
Net loss on financial assets and liabilities at fair value through profit or loss	(853)	(63)
Others	(1,035)	(1,032)
Total	$ 7,979	$ 6,496

(22) Finance costs

	For the three-month periods ended September 30, 2019	2018
Interest expense:		
Bank borrowings	$ 7,843	$ 7,264
Lease liabilities	1,161	-
Less: Capitalisation of qualifying assets	(306)	(695)
	8,698	6,569
Other financial costs	217	24
Total	$ 8,915	$ 6,593

	For the nine-month periods ended September 30, 2019	2018
Interest expense:		
Bank borrowings	$ 22,301	$ 21,399
Lease liabilities	3,151	-
Less: Capitalisation of qualifying assets	(842)	(1,609)
	24,610	19,790
Other financial costs	909	84
Total	$ 25,519	$ 19,874

(23) Expenses by nature

	For the three-month periods ended September 30, 2019	2018
Employee benefit expense	$ 357,605	$ 332,273
Depreciation on property, plant and equipment	116,223	110,694
Amortisation on intangible assets	3,011	2,984
Total	$ 476,839	$ 445,951

	For the nine-month periods ended September 30, 2019	2018
Employee benefit expense	$ 970,603	$ 995,644
Depreciation on property, plant and equipment	355,773	319,091
Amortisation on intangible assets	9,184	9,218
Total	$ 1,335,560	$ 1,323,953

(24) Employee benefit expense

	For the three-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 315,541	$ 289,415
Labor and health insurance fees	22,385	22,935
Pension costs	12,038	12,932
Other personnel expenses	7,641	6,991
	$ 357,605	$ 332,273

	For the nine-month periods ended September 30,	
	2019	2018
Wages and salaries	$ 846,872	$ 868,505
Labor and health insurance fees	66,617	67,952
Pension costs	36,435	38,746
Other personnel expenses	20,679	20,441
	$ 970,603	$ 995,644

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 nine-month periods ended September 30, 2019 and 2018, the employees’ compensation was accrued at $56,755, $39,904, $112,648 and $109,674, respectively; directors’ and supervisors’ remuneration was accrued at $20,351, $13,301, $37,549 and $36,558, 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%, respectively, of distributable profit of current period distributable as of the end of reporting period.

C. For the three-month and nine-month periods ended September 30, 2019 and 2018, CS Bright Corporation’s, the indirect subsidiary of the Company, employees’ compensation was accrued at $371, $848, $1,324 and $3,135, respectively; directors’ and supervisors’ remuneration was accrued at $79, $283, $397 and $1,045, respectively. The aforementioned amounts were recognised in salary expense. The employees’ compensation and directors’ and supervisors’ remuneration were estimated and accrued based on 10%, 3%, 15% and 5%, respectively of distributable profit of current period as of the end of reporting period.

D. Employees' compensation and directors' and supervisors' remuneration of 2018 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.

(25) Income tax

A. Income tax expense

(a) Components of income tax expense:

	For the three-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 42,002	$ 32,399
Prior year income tax overestimation	-	-
Total current tax	42,002	32,399
Deferred tax:		
Origination and reversal of temporary differences	9,758	2,105
Total deferred tax	9,758	2,105
Income tax expense	$ 51,760	$ 34,504

	For the nine-month periods ended September 30,	
	2019	2018
Current tax:		
Current tax on profits for the period	$ 109,674	$ 103,458
Tax on undistributed surplus earnings	30,236	5,923
Prior year income tax overestimation	(1,603)	-
Total current tax	138,307	109,381
Deferred tax:		
Origination and reversal of temporary differences	10,599	(4,951)
Impact of change in tax rate	-	(10,821)
Total deferred tax	10,599	(15,772)
Income tax expense	$ 148,906	$ 93,609

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

	For the three-month periods ended September 30,	
	2019	2018
Impact of change in tax rate	$ -	$ -

	For the nine-month periods ended September 30,	
	2019	2018
Impact of change in tax rate	$ -	($ 7,587)

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

	For the three-month periods ended September 30,	
	2019	2018
Disposal of financial assets at fair value through other comprehensive income	$ -	$ -

	For the nine-month periods ended September 30,	
	2019	2018
Disposal of financial assets at fair value through other comprehensive income	$ -	$ 10,664

B. As of September 30, 2019, the Company's income tax returns through 2017 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.

(26) Earnings per share

	For the three-month period ended September 30, 2019		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 197,854	396,713	$ 0.50
Dilutive effect of common stock equivalents:			
Employees' compensation	-	4,488	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 197,854	401,201	$ 0.49

	For the three-month period ended September 30, 2018		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 175,330	444,551	$ 0.39
Dilutive effect of common stock equivalents:			
Employees' compensation	-	4,810	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 175,330	449,361	$ 0.39

	For the nine-month period ended September 30, 2019		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 459,539	428,430	$ 1.07
Dilutive effect of common stock equivalents:			
Employees' compensation	-	5,833	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 459,539	434,263	$ 1.06

	For the nine-month period ended September 30, 2018		
	Profit after tax	Weighted-average outstanding common shares (in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to owners of the parent	$ 485,998	444,551	$ 1.09
Dilutive effect of common stock equivalents:			
Employees' compensation	-	6,341	
Diluted earnings per share			
Profit attributable to owners of the parent plus dilutive effect of common stock equivalents	$ 485,998	450,892	$ 1.08

(27) Operating leases

Effective 2018

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 2022, respectively. CS Bright Corporation and Opto Macao had entered into an agreement to lease office from a non-related party. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
Not later than 1 year	$ 33,477	$ 18,861
Later than 1 year but not later than 5 years	79,929	77,596
Later than 5 years	203,239	164,707
	$ 316,645	$ 261,164

(28) Changes in liabilities from financing activities

	2019					
	Short-term borrowings	Long-term borrowings	Lease liabilities	Guarantee deposits	Dividends Payable	Liabilities from financing activities-gross
At January 1	$ 737,660	$ 250,000	$ 265,950	$ 2,394	$ -	$ 1,256,004
Changes in cash flow from financing activity	(493,079)	580,695	(15,925)	(748)	(222,275)	(151,332)
Dividends declared	-	-	-	-	222,719	222,719
Adjustments to net difference of subsidiary book value	-	-	-	-	(444)	(444)
Interest payment	-	-	(3,151)	-	-	(3,151)
Increase in lease principal	-	-	4,804	-	-	4,804
Amortization of interest expenses	-	-	3,151	-	-	3,151
Impact of changes in foreign exchange rate	(3,041)	1,449	(6)	-	-	(1,598)
At September 30	$ 241,540	$ 832,144	$ 254,823	$ 1,646	$ -	$ 1,330,153

	2018			
	Short-term borrowings	Long-term borrowings	Guarantee deposits	Liabilities from financing activities-gross
At January 1	$ 899,677	$ -	$ 3,390	$ 903,067
Changes in cash flow from financing activity	(1,875)	60,000	(976)	57,149
Impact of changes in foreign exchange rate	4,827	-	-	4,827
At September 30	$ 902,629	$ 60,000	$ 2,414	$ 965,043

7. Related Party Transactions

(1) Names of related parties and relationship

Names of related parties	Relationship with the Company
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.
Shen Zhen Guang Xin Vision Technology Co., Ltd.	The chairman of this company is an independent director of the Company.

(2) Significant transactions and balances with related parties

A. Operating revenue:

	For the three-month periods ended September 30,	
	2019	2018
Sales of goods:		
Associates	$ 15,915	$ 100
Other related parties	97,127	84,426
Total	$ 113,042	$ 84,526

	For the nine-month periods ended September 30,	
	2019	2018
Sales of goods:		
Associates	$ 115,344	$ 537
Other related parties	246,440	243,464
Total	$ 361,784	$ 244,001

The selling prices charged to the above related parties are not materially different from those charged to non-related parties. For the nine-month periods ended September 30, 2019 and 2018, the credit term for the related parties was 45 ~136, respectively. Some related parties adopt the method of shipping after receiving the payment. The credit term was 90 ~ 150 days for the non-related parties for both periods.

B. Purchases:

	For the three-month periods ended September 30,	
	2019	2018
Purchases of goods:		
Other related parties	$ 56,663	$ 84,056

	For the nine-month periods ended September 30,	
	2019	2018
Purchases of goods:		
Other related parties	$ 193,314	$ 320,627

The purchase prices charged by the above related parties were not materially different from those charged by non-related parties. For the nine-month periods ended September 30, 2019 and 2018, 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:

	September 30, 2019	December 31, 2018	September 30, 2018
Receivables from related parties:			
Associates	$ -	$ 340	$ -
Other related parties	53,478	79,132	98,023
Less: Allowance for doubtful accounts	-	(955)	(1,764)
Total	$ 53,478	$ 78,517	$ 96,259

D. Accounts payable:

	September 30, 2019	December 31, 2018	September 30, 2018
Payables to related parties:			
Other related parties	$ 94,113	$ 87,963	$ 127,605
Other payables			
Other related parties	$ 210	$ -	$ -

E. Property transactions

	For the three-month periods ended September 30,	
	2019	2018
Acquisition of property, plant and equipment:		
Other related parties	$ 459	$ -

	For the nine-month periods ended September 30,	
	2019	2018
Acquisition of property, plant and equipment:		
Other related parties	$ 459	$ -

F. Lease

	For the three-month periods ended September 30,	
	2019	2018
Other related parties	$ 600	$ 600

	For the nine-month periods ended September 30,	
	2019	2018
Other related parties	$ 1,800	$ 1,800

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

	For the three-month periods ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 33,511	$ 25,652
Post-employment benefits	115	123
Total	$ 33,626	$ 25,775

	For the nine-month periods ended September 30,	
	2019	2018
Salaries and other short-term employee benefits	$ 70,773	$ 70,169
Post-employment benefits	343	367
Total	$ 71,116	$ 70,536

8. Pledged Assets

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

	Book value			Purpose of pledge	
Pledged assets	September 30, 2019	December 31, 2018	September 30, 2018	Creditor Bank	Type
Restricted assets-Time deposits, (shown as "other current assets")	$ 40,310	$ 20,860	$ 20,860	Chang Hwa Commercial Bank Far Eastern International Bank	Land lease and dormitory lease deposits

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) As of September 30, 2019, the guarantees provided by the Group through banks were as follows:

Guarantor	Nature of Guarantee	Amount
Chang Hwa Commercial Bank	Customs duty	$ 12,000
Chang Hwa Commercial Bank	Warranty	20,860
Far Eastern International Bank	〃	19,450
Mega International Commercial Bank	〃	14,712
Taishin International Bank	Borrowing	133,838
		$ 200,860

(2) As of September 30, 2019, the outstanding letters of credit issued for the importation of raw materials and machinery were as follows:

Amount (thousands)	
TWD	739
JPY	8,780
USD	316

(3) Operating lease commitments:

Please refer to Notes 6(8) and 6(27).

(4) As of September 30, 2019, the promissory notes issued by the Company and CS Bright Corporation for loans, performance guarantee for purchases and loans granted for subsidiaries amounted to $5,229,623.

(5) As of September 30, 2019, the capital expenditure contracted but not yet incurred is $53,671.

10. Significant Disaster Loss

None.

11. Significant Events after the Balance Sheet Date

On October 8, 2019, the Board of Directors of the Company resolved to issue 20 million units of employee stock options, each unit allows employees to purchase 1 common stock with a par value of $10 (in dollars) per share. The effective date for the issuance of employee stock options is October 22, 2019.

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 September 30, 2019, December 31, 2018 and September 30, 2018, the gearing ratios were (25.91%), (29.21%) and (24.77%), respectively.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets measured at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 276,427	$ 327,280	$ 311,041
Financial assets at fair value through other comprehensive income	863,643	871,546	827,915
Financial assets at amortised cost/Loans and receivables			
Cash and cash equivalents	2,532,739	2,690,226	2,419,582
Notes receivable	16,621	13,119	26,122
Accounts receivable-net (including related parties)	1,782,862	1,654,266	1,788,929
Other accounts receivable	22,026	12,793	16,409
Guarantee deposits paid	22,645	26,446	28,777
Other financial assets	40,310	20,860	20,860
	$ 5,557,273	$ 5,616,536	$ 5,439,635
Financial liabilities			
Financial liabilities at amortised cost			
Short-term borrowings	$ 241,540	$ 737,660	$ 902,629
Notes payable	2,792	33	908
Accounts payable (including related parties)	714,318	661,970	813,059
Lease liabilities	254,823	-	-
Other accounts payable (including related parties)	591,152	599,528	622,603
Long-term borrowings (including current portion)	832,144	250,000	60,000
Guarantee deposits received	1,646	2,394	2,414
	$ 2,638,415	$ 2,251,585	$ 2,401,613

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, 2018.

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:

	September 30, 2019			For the nine-month period ended September 30, 2019 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 (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 48,636	30.98	$ 1,506,743	1%	$ 15,067	$ -	($ 7,961)
JPY : TWD	360,451	0.2854	102,873	1%	1,029	-	(937)
CNY : TWD	22,456	4.3290	97,212	1%	972	-	(2,402)
USD : CNY (Note)	310	7.1268	9,619	1%	96	-	(933)
Non-monetary items: None.							
Financial liabilities							
Monetary items							
USD : TWD	$ 25,806	31.08	$ 802,050	1%	($ 8,021)	$ -	$ 4,168
JPY : TWD	418,235	0.2894	121,037	1%	(1,210)	-	2,607
USD : CNY (Note)	32	7.1268	993	1%	(10)	-	3
Non-monetary items: None.							

	December 31, 2018			For the year ended December 31, 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 (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 49,332	30.665	$ 1,512,766	1%	$ 15,128	$ -	($ 4,423)
JPY : TWD	183,614	0.2762	50,714	1%	507	-	551
CNY : TWD	20,384	4.447	90,648	1%	906	-	(279)
USD : CNY (Note)	993	6.8683	30,500	1%	305	-	55
Non-monetary items: None.							
Financial liabilities							
Monetary items							
USD : TWD	$ 24,616	30.765	$ 757,311	1%	($ 7,573)	$ -	$ 4,325
JPY : TWD	442,719	0.2802	124,050	1%	(1,241)	-	(2,519)
USD : CNY (Note)	21	6.8683	645	1%	(6)	-	6
Non-monetary items: None.							

	September 30, 2018			For the nine-month period ended September 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 (loss)
(Foreign currency: functional currency)							
Financial assets							
Monetary items							
USD : TWD	$ 52,352	30.475	$ 1,595,427	1%	$ 15,954	$ -	$ 5,421
JPY : TWD	373,782	0.2672	99,875	1%	999	-	(2,106)
CNY : TWD	22,336	4.411	98,524	1%	985	-	(2,824)
USD : CNY (Note)	814	6.8812	24,847	1%	248	-	66
Non-monetary items: None.							
Financial liabilities							
Monetary items							
USD : TWD	$ 27,611	30.575	$ 844,206	1%	($ 8,442)	$ -	$ 1,086
JPY : TWD	745,583	0.2712	202,202	1%	(2,022)	-	3,768
USD : CNY (Note)	25	6.8812	763	1%	(8)	-	(14)
Non-monetary items: 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 and financial assets at fair value through other comprehensive income. 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 for the nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by $19,143 and $20,078, 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 $94,426 and $93,382 as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Interest rate risk

i. The Group’s interest rate risk arises from long-term and short-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 nine-month periods ended September 30, 2019 and 2018, the Group’s borrowings at floating rate were denominated in TWD, USD and JPY.

ii. At September 30, 2019 and 2018, if interest rates on borrowings had been 100 basis point higher/lower with all other variables held constant, post-tax profit for the nine-month periods ended September 30, 2019 and 2018 would have been $6,442 and $5,806 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 customers' 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 notes receivable and accounts receivable (including related parties). On September 30, 2019, December 31, 2018 and September 30, 2018, the loss rate methodology is as follows:

	Individual	Group	Total
At September 30, 2019			
Expected loss rate	100%	0.01%~100%	
Total book value	$ 15,845	$ 1,806,790	$ 1,822,635
Loss allowance	$ 15,845	$ 7,307	$ 23,152

	Individual	Group	Total
At December 31, 2018			
Expected loss rate	100%	0.01%~100%	
Total book value	$ 8,846	$ 1,708,982	$ 1,717,828
Loss allowance	$ 8,846	$ 41,597	$ 50,443

	Individual	Group	Total
At September 30, 2018			
Expected loss rate	100%	0%~65%	
Total book value	$ 8,793	$ 1,858,369	$ 1,867,162
Loss allowance	$ 8,793	$ 43,318	$ 52,111

vi. As at September 30, 2019, December 31, 2018 and September 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 $1,799,483, $1,667,385 and $1,815,051, respectively.

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

	2019	2018
	Accounts receivable	Accounts receivable
At January 1	$ 50,443	$ 54,460
Reversal of impairment loss	(104)	(1,754)
Write-offs	(27,543)	-
Effect of foreign exchange	356	(595)
At September 30	$ 23,152	$ 52,111

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.

(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:

September 30, 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 241,540	$ -	$ -	$ -	$ -
Notes payable	2,792	-	-	-	-
Accounts payable (including related parties)	714,318	-	-	-	-
Lease liabilities	24,787	21,767	7,510	35,535	190,063
Other payables (including related parties)	591,152	-	-	-	-
Long-term borrowings (including current portion)	22,976	84,772	734,991	-	-

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 737,660	$ -	$ -	$ -	$ -
Notes payable	33	-	-	-	-
Accounts payable (including related parties)	661,970	-	-	-	-
Other payables	599,528	-	-	-	-
Long-term borrowings (including current portion)	3,515	3,515	252,106	-	-

Non-derivative financial liabilities:

September 30, 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 5 years	Over 5 years
Short-term borrowings	$ 902,629	$ -	$ -	$ -	$ -
Notes payable	908	-	-	-	-
Accounts payable (including related parties)	813,059	-	-	-	-
Other payables	622,603	-	-	-	-
Long-term borrowings (including current portion)	780	780	60,709	-	-

(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, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable, other payables and long-term borrowings 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 September 30, 2019, December 31, 2018 and September 30, 2018 is as follows:

September 30, 2019	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 106,899	$ 106,899
Domestic funds	169,068	-	-	169,068
Forward exchange contract	-	460	-	460
Financial assets at fair value through other comprehensive income	80,616	-	783,027	863,643
Total	$ 249,684	$ 460	$ 889,926	$ 1,140,070

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 106,899	$ 106,899
Domestic funds	220,140	-	-	220,140
Forward exchange contract	-	241	-	241
Financial assets at fair value through other comprehensive income	88,519	-	783,027	871,546
Total	$ 308,659	$ 241	$ 889,926	$ 1,198,826

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets:				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Equity securities	$ -	$ -	$ 90,839	$ 90,839
Domestic funds	219,873	-	-	219,873
Forward exchange contract	-	329	-	329
Financial assets at fair value through other comprehensive income	105,907	-	722,008	827,915
Total	$ 325,780	$ 329	$ 812,847	$ 1,138,956

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 nine-month periods ended September 30, 2019 and 2018, 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 nine-month periods ended September 30, 2019 and 2018.

	2019	2018
At January 1 (At September 30)	$ 889,926	$ 812,847

G. For the nine-month periods ended September 30, 2019 and 2018, 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 September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 889,926	Market comparable companies	Price to earnings ratio multiple	0.82~1.20	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	17.72%~27.90%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity:					
Unlisted shares	$ 889,926	Market comparable companies	Price to earnings ratio multiple	0.82~1.20	The higher the multiple, the higher the fair value.
			Discount for lack of volatility	17.72%~27.90%	The higher the discount for lack of marketability, the lower the fair value.

	Fair value at September 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.

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:

			September 30, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	$ 1,151	($ 1,151)	$ 15,106	($ 15,106)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable change	Unfavourable change	Favourable change	Unfavourable change
Financial assets						
Equity instrument	Discount of lack of volatility	±5%	$ 1,151	($ 1,151)	$ 15,106	($ 15,106)

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

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: None.

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, 2018.

(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 September 30, 2019				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 1,115,748	$ 350,299	$ 78,935	$ 1,657	$ 1,546,639
Segment income (loss)	$ 207,778	$ 38,879	$ 10,491	($ 7,533)	$ 249,615

	For the three-month period ended September 30, 2018				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 1,097,930	$ 230,454	$ 75,203	$ 965	$ 1,404,552
Segment income (loss)	$ 198,032	$ 11,491	$ 5,735	($ 5,415)	$ 209,843

	For the nine-month period ended September 30, 2019				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 2,945,985	$ 956,159	$ 216,127	$ 8,588	$ 4,126,859
Segment income (loss)	$ 439,971	$ 150,510	$ 17,470	$ 499	$ 608,450

	For the nine-month period ended September 30, 2018				
	LED and Silicon Sensor Chips Group	Displays and Lighting Group	Packaging Business Group	Other segments	Total
Revenue from external customers	$ 3,145,529	$ 732,098	$ 224,005	$ 2,406	$ 4,104,038
Segment income (loss)	$ 564,936	$ 11,501	$ 15,651	($ 12,453)	$ 579,635

(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 nine-month period ended September 30, 2019

Table 1

Expressed in thousands of TWD

No. (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Actual amount drawn down	Interest rate	Nature of loan (Note 2)	Amount of transactions with the borrower	Reason for short-term financing	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party (Note 3)	Ceiling on total loans granted (Note 4)	Remark
0	Opto Tech Corp.	Opto Tech (Suzhou) Co., Ltd.	Other receivables-Related Parties	Yes	$ 93,727	$ -	$ -	-	2	$ -	Pay debt	$ -	None	$ -	$ 708,636	$ 2,834,544	Note 5
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	Other receivables-Related Parties	Yes	22,857	17,408	17,408	-	1	196,213	None	-	None	-	196,213	31,758	

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 six-month period.

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.

Note 5: The Company passed a resolution of the Board of Directors on March 13, 2019. As a result of the liquidation and dissolution of Opto Tech (Suzhou) Co., Ltd. (Opto Tech Suzhou), a 100%-transferred investment company, it agreed to exempt the company from the payment of 1.25 million US dollar claims.

Opto Tech Corporation and subsidiaries

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2019

Table 2

Expressed in thousands of TWD

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	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 September 30, 2019	Outstanding endorsement/ guarantee amount at September 30, 2019	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	$ 1,417,272	$ 30,000	$ 30,000	$ -	$ -	0.42%	$ 3,543,180	Y	N	N	-
0	Opto Tech Corp.	Opto Plus Technology Co., Ltd.	2	1,417,272	185,220	133,644	108,454	-	1.89%	3,543,180	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) $7,086,359 thousand dollars × 20% ＝ $1,417,272 thousand dollars,

(2) $7,086,359 thousand dollars × 50% ＝ $3,543,180 thousand dollars.

Opto Tech Corporation and subsidiaries

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

September 30, 2019

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 September 30, 2019				Remark
					Number of shares	Book value	Ownership (%)	Fair value	
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	723,290	0.45	723,290	None
〃	〃	Viking Tech Corporation.	None.	〃	2,873,994	80,616	2.45	80,616	None
〃	〃	Lu Zhu Development Co., Ltd.	None.	Financial assets at fair value through profit or loss	13,127,236	106,899	6.38	106,899	None
〃	〃	Giga Epitaxy Technology Corp.	The Company is the director of this company.	Financial assets at fair value through other comprehensive income	4,950,491	26,515	15.27	26,515	None
〃	〃	Shin-Etsu Opto Electronic Co., Ltd.	The Company is the director of this company.	〃	2,000,000	33,222	10.00	33,222	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	〃	754,543	18,939	0.20	18,939	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	Franklin Templeton Sinoam Money Market fund	None.	Financial assets at fair value through profit or loss	4,448,043	46,099	None	46,099	None
〃	〃	Taishin 1699 Money Market fund	None.	〃	2,280,623	30,935	None	30,935	None
〃	〃	FSITC Taiwan Money Market fund	None.	〃	4,022,602	61,711	None	61,711	None
〃	〃	Jih Sun Money Market fund	None.	〃	2,041,210	30,323	None	30,323	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 nine-month period ended September 30, 2019

Table 4

Expressed in thousands of NTD

			Transaction					Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount		Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Remark
Opto Tech Corp.	Nichia Corp.	This company's subsidiary is the director of the Company	Sales	($	190,210)	(4.61%)	45 days	The unit prices are the same wih third parties.	-	$ 21,518	1.20%	-
Opto Tech Corp.	VML TECHNOLOGIES B.V	This company is an investment of Ho Chung Investment Co., Ltd. accounted for using equity method	Sales	(	115,344)	(2.80%)	66 days	The unit prices are the same wih third parties.	-	-	0.00%	-

Opto Tech Corporation and subsidiaries
Significant inter-company transactions during the reporting period

For the nine-month period ended September 30, 2019

Table 5

Expressed in thousands of TWD

				Transaction			
Number	Company name	Counterparty	Relationship	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Accounts receivable	$ 60,439	Note 4	0.60%
1	CS Bright Corp.	Opto Plus Technology Co., Ltd.	3	Other receivables-related party	17,408	-	0.17%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Sales	150,130	Note 4	3.64%
2	Opto Plus Technology Co., Ltd.	CS Bright Corp.	3	Accounts receivable	55,259	Note 4	0.55%

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 six 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 45~136 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 nine-month period ended September 30, 2019

Table 6

Expressed in thousands of TWD

				Initial investment amount		Shares held as at September 30, 2019					
Investor	Investee	Location	Main business activities	Balance as of September 30, 2019	Balance as of December 31, 2018	Number of shares	Ownership (%)	Book value	Net income (loss) of the investee	Investment income (loss) recognized by investor	Remark
Opto Tech Corp.	Opto Technology International Group Co., Ltd.	Cayman Islands	Holding Company	$ 443,110	$ 443,110	14,000,000	100.00	$ 56,924	$ 52,546	$ 13,953	Subsidiary of the Company
Opto Tech Corp.	Ho Chung Investment Co., Ltd.	Taiwan	Investment business	258,348	258,348	1,298,800	100.00	33,092	10,549	5,946	Subsidiary of the Company
Opto Tech Corp.	Opto Tech (Macao) Co., Ltd.	Macao	International trading	4,096	4,096	-	100.00	15,075	(3,015)	(3,015)	Subsidiary of the Company
Opto Tech Corp.	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	157,643	3,856	3,851	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	6,311	23,064	5,766	Investment accounted for using equity method
CS Bright Corporation	Bright Investment International Ltd.	B.V. I.	Holding Company	171,332	171,332	5,100,000	100.00	22,073	4,992	10,441	Indirect subsidary
Bright Investment International Ltd.	Everyung Investment Ltd.	Samoa	Holding Company	168,421	168,421	5,000,000	50.00	38,998	9,975	4,988	Indirect subsidary
Opto Technology International Group Co., Ltd.	Opto Tech (Cayman) Co., Ltd.	Cayman Islands	Holding Company	294,360	294,360	9,000,000	100.00	12,748	47,425	47,425	Indirect subsidary
Opto Technology International Group Co., Ltd.	Everyung Investment Ltd.	Samoa	Holding Company	148,910	148,910	5,000,000	50.00	38,998	9,975	4,988	Indirect subsidary

Opto Tech Corporation and subsidiaries

Information on investments in Mainland China

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of TWD

Investee in Mainland China	Main business activities	Paid-in capital	Investment method (Note 1)	Accumulated amount of remittance to Mainland China as of January 1, 2019	Amount remitted to Mainland China during the period	Amount remitted back to Taiwan during the period	Accumulated amount of remittance to Mainland China as of September 30, 2019	Net income of investee for the nine-month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note 2)	Book value of investments in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Remark
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	$ 47,182	100.00%	$ 47,182	$ 3,848	$ -	-
Opto Plus Technology Co., Ltd.	Manufacture and Sales of LED and Electronic products	317,341	(2)	317,341	-	-	317,341	9,975	99.94%	9,969	77,997	-	-

Note 1: The investment methods are classified into six 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 nine-month period ended September 30, 2019:

Name of company	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Opto Tech Corp.	$ 612,049	$ 612,557	$ 4,251,815

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 nine-month period ended September 30, 2019

Table 8

Expressed in thousands of TWD

	Sale (purchase)		Property transaction		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	%	Amount	%	Balance at September 30, 2019	%	Balance at September 30, 2019	Purpose	Maximum balance during the nine-month period ended September 30, 2019	Balance at September 30, 2019	Interest rate	Interest during the nine-month period ended September 30, 2019	Others
Opto Tech (Suzhou) Co., Ltd.	$ -	-	$ -	-	$ -	-	$ -	-	$ 93,727	$ -	-	$ 275	None
Opto Plus Technology Co., Ltd.	15,655	0.38	-	-	62,930	3.51	133,644	Guarantee of bank line of credit	-	-	-	-	None
Opto Plus Technology Co., Ltd.	(150,130)	(9.63)	-	-	(55,259)	(7.74)	-	-	22,857	17,408	-	-	None