Stock Code:8046

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Nine Months Ended September 30, 2018 and 2017

Address: 3F., No. 201-36, Dunhua N. Rd., Songshan Dist., Taipei City
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The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors of
Nan Ya Printed Circuit Board Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of the Nan Ya Printed Circuit Board Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of September 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2018 and 2017, as well as the changes in equity and cash flows for the nine months ended September 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No.65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the 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 conducted in accordance with the generally accepted auditing standards 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.

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2018 and 2017, and of its consolidated financial performance for the three and nine months ended September 30, 2018 and 2017, and its consolidated cash flows for the nine months ended September 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Hui-Chih Ko and Tzu-Hui Lee.

KPMG

Taipei, Taiwan (Republic of China)
November 12, 2018

Notes to Readers

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

The independent auditors' review report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2018 and 2017

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2018, December 31, 2017, and September 30, 2017

(Expressed in Thousands of New Taiwan Dollars)

		September 30, 2018		December 31, 2017		September 30, 2017	
	Assets	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current assets:						
1100	Cash and cash equivalents (note 6(a))	$ 9,834,664	26	11,998,473	30	11,186,099	28
1110	Current financial assets at fair value through profit or loss (note 6(b))	906,444	2	-	-	-	-
1125	Available-for-sale financial assets-current (note 6(c))	-	-	903,549	2	902,636	2
1170	Notes and accounts receivable, net (notes 6(d))	6,950,620	19	5,931,341	15	6,720,411	17
1180	Accounts receivable due from related parties (notes 6(d) and 7)	14,913	-	50,788	-	19,330	-
1200	Other receivables (note 6(e))	158,396	-	96,508	-	124,307	-
1210	Other receivables due from related parties (notes 6(e) and 7)	-	-	2,180,000	5	2,000,000	5
1310	Inventories, net(notes 6(f))	4,384,802	12	3,772,111	9	3,638,993	9
1470	Other current assets	191,736	1	227,910	1	183,043	1
	Total current assets	22,441,575	60	25,160,680	62	24,774,819	62
	Non-current assets:						
1600	Property, plant and equipment (note 6(g))	13,961,092	37	14,406,626	36	14,632,347	36
1780	Intangible assets	3,016	-	4,826	-	5,430	-
1840	Deferred tax assets	1,116,943	3	805,137	2	842,319	2
1900	Other non-current assets	40,367	-	41,452	-	40,906	-
	Total non-current assets	15,121,418	40	15,258,041	38	15,521,002	38
	Total assets	**$ 37,562,993**	**100**	**40,418,721**	**100**	**40,295,821**	**100**

		September 30, 2018		December 31, 2017		September 30, 2017	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
	Current liabilities:						
2100	Short-term loans (note 6(h))	$ 373,895	1	463,398	1	463,202	1
2170	Accounts payable	1,777,247	5	1,519,793	4	1,561,898	4
2180	Accounts payable to related parties (note 7)	319,799	1	573,053	1	328,842	1
2200	Other payables	1,383,594	4	1,698,413	4	1,446,394	4
2220	Other payables to related parties (note 7)	96,999	-	221,201	1	253,583	1
2230	Current tax liabilities	-	-	2,522	-	-	-
2320	Current portion of long-term liabilities (note 6(i))	-	-	1,173,973	3	1,191,922	3
2300	Other current liabilities	137,516	-	166,799	-	173,537	-
	Total current liabilities	4,089,050	11	5,819,152	14	5,419,378	14
	Non-current liabilities:						
2540	Long-term loans (note 6(i))	929,796	2	956,316	3	709,348	2
2570	Deferred tax liabilities	1,313,718	4	1,179,447	3	1,201,991	3
2640	Net defined benefit liability (note 6(j))	1,623,949	4	1,644,691	4	1,743,219	4
2645	Guarantee deposits	122,452	-	62,643	-	74,181	-
	Total non-current liabilities	3,989,915	10	3,843,097	10	3,728,739	9
	Total liabilities	8,078,965	21	9,662,249	24	9,148,117	23
	Equity (notes 6(l)) :						
3100	Capital stock	6,461,655	18	6,461,655	16	6,461,655	16
3200	Capital surplus	19,684,095	52	21,399,780	53	21,399,650	53
3310	Legal reserve	4,488,449	12	4,488,449	11	4,488,449	11
3320	Special reserve	379,765	1	379,765	1	379,765	1
3350	Unappropriated retained earnings (accumulated deficits)	(837,880)	(2)	(1,392,601)	(4)	(994,386)	(3)
3400	Other equity interest	(692,056)	(2)	(580,576)	(1)	(587,429)	(1)
	Total equity	29,484,028	79	30,756,472	76	31,147,704	77
	Total liabilities and equity	**$ 37,562,993**	**100**	**40,418,721**	**100**	**40,295,821**	**100**

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss)

For the three months and nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		For the three months ended September 30,				For the nine months ended September 30,			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue (notes 6(o) and 7)	$ 7,915,715	100	6,962,535	100	21,080,142	100	19,905,943	100
5000	Operating costs (notes 6(f)(g)(j) and 7)	7,618,406	96	7,095,920	102	21,222,921	100	20,140,411	100
	Gross profit (loss)	297,309	4	(133,385)	(2)	(142,779)	-	(234,468)	-
	Operating expenses (notes 6(j) and 7):								
6100	Selling expenses	141,871	2	126,452	2	385,578	2	352,555	2
6200	Administrative expenses	263,206	3	253,360	4	764,878	4	752,983	4
6000	**Total operating expenses**	405,077	5	379,812	6	1,150,456	6	1,105,538	6
6900	**Operating loss**	(107,768)	(1)	(513,197)	(8)	(1,293,235)	(6)	(1,340,006)	(6)
	Non-operating income and expenses (notes 6(e)(q)):								
7010	Other income	43,269	1	50,156	1	130,823	1	196,349	1
7020	Other gains and losses	132,365	2	59,455	1	385,246	2	(298,723)	(2)
7050	Finance costs	(20,938)	-	(19,313)	-	(68,393)	-	(45,526)	-
	Total non-operating income and expenses	154,696	3	90,298	2	447,676	3	(147,900)	(1)
	Income (loss) before income tax	46,928	2	(422,899)	(6)	(845,559)	(3)	(1,487,906)	(7)
7950	**Less: Income tax expense (income) (note 6(k))**	5	-	(2)	-	427	-	360	-
	Net income (loss)	46,923	2	(422,897)	(6)	(845,986)	(3)	(1,488,266)	(7)
8300	**Other comprehensive income:**								
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**								
8311	Remeasurements of defined benefit plans	-	-	-	-	-	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	4,556	-	-	-
	Total components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	4,556	-	-	-
8360	**Components of other comprehensive income (loss) that will be reclassified to profit or loss**								
8361	Exchange differences on translation	(381,295)	(5)	168,354	2	(280,909)	(1)	(210,125)	(1)
8362	Unrealized gains on valuation of available-for-sale financial assets	-	-	873	-	-	-	2,337	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	76,258	1	13	-	172,978	1	124	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	(305,037)	(4)	169,240	2	(107,931)	-	(207,664)	(1)
8300	**Other comprehensive income (loss) (net after tax)**	(305,037)	(4)	169,240	2	(103,375)	-	(207,664)	(1)
	Total comprehensive income (loss)	**$ (258,114)**	**(2)**	**(253,657)**	**(4)**	**(949,361)**	**(3)**	**(1,695,930)**	**(8)**
9750	**Basic earnings per share (expressed in New Taiwan Dollars) (note 6(n))**	**$**	**0.07**		**(0.65)**		**(1.31)**		**(2.30)**

See accompanying notes to consolidated financial statements.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Capital stock		Retained earnings			Other equity interest			
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings (accumulated deficits)	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets	Total	Total equity
Balance at January 1, 2017	$ 6,461,655	21,916,582	4,488,449	672,510	201,135	(380,064)	299	(379,765)	33,360,566
Net loss for the nine months ended September 30, 2017	-	-	-	-	(1,488,266)	-	-	-	(1,488,266)
Net other comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	-	(210,001)	2,337	(207,664)	(207,664)
Total comprehensive income (loss) for the nine months ended September 30, 2017	-	-	-	-	(1,488,266)	(210,001)	2,337	(207,664)	(1,695,930)
Appropriation and distribution of retained earnings:									
Special reserve appropriated	-	-	-	379,765	(379,765)	-	-	-	-
Reversal of special reserve	-	-	-	(672,510)	672,510	-	-	-	-
Other changes in capital surplus:									
Cash dividends from capital surplus	-	(516,932)	-	-	-	-	-	-	(516,932)
Balance at September 30, 2017	**$ 6,461,655**	**21,399,650**	**4,488,449**	**379,765**	**(994,386)**	**(590,065)**	**2,636**	**(587,429)**	**31,147,704**
Balance at January 1,2018	$ 6,461,655	21,399,780	4,488,449	379,765	(1,392,601)	(584,125)	3,549	(580,576)	30,756,472
Effects of retrospective application	-	-	-	-	3,549	-	(3,549)	(3,549)	-
Balance at January 1, 2018 after adjustments	6,461,655	21,399,780	4,488,449	379,765	(1,389,052)	(584,125)	-	(584,125)	30,756,472
Net loss for the nine months ended September 30, 2018	-	-	-	-	(845,986)	-	-	-	(845,986)
Net other comprehensive income for the nine months ended September 30, 2018	-	-	-	-	4,556	(107,931)	-	(107,931)	(103,375)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	(841,430)	(107,931)	-	(107,931)	(949,361)
Other changes in capital surplus:									
Capital surplus used to cover accumulated deficits	-	(1,392,602)	-	-	1,392,602	-	-	-	-
Cash dividends from capital surplus	-	(323,083)	-	-	-	-	-	-	(323,083)
Balance at September 30, 2018	**$ 6,461,655**	**19,684,095**	**4,488,449**	**379,765**	**(837,880)**	**(692,056)**	**-**	**(692,056)**	**29,484,028**

See accompanying notes to consolidated financial statements.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	For the nine months ended September 30	
	2018	2017
Cash flows used in operating activities:		
Net loss before income tax	$ (845,559)	(1,487,906)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	1,806,246	1,880,501
Amortization expense	1,810	1,810
Expected credit loss / Provision for bad debt expense	10,616	656
Net gain on financial assets at fair value through profit or loss	(2,895)	-
Interest expense	68,393	45,526
Interest income	(58,138)	(97,044)
Loss on disposal of property, plant and equipment	61,623	40,545
Recovery of impairment of assets	(9,781)	(95,235)
Unrealized foreign exchange gain	(7,258)	(21,009)
Total adjustments to reconcile profit (loss)	1,870,616	1,755,750
Changes in operating assets and liabilities:		
Changes in operating assets:		
Increase in notes and accounts receivable (including related parties)	(997,588)	(480,593)
Increase in other receivables	(60,682)	(19,431)
Increase in inventories	(611,540)	(275,573)
Decrease in other current assets	30,361	37,066
Total changes in operating assets	(1,639,449)	(738,531)
Changes in operating liabilities:		
Increase in accounts payable (including related parties)	19,560	241,664
Decrease in other payables (including related parties)	(273,777)	(496,811)
Decrease in other current liabilities	(29,283)	(35,408)
Decrease in net defined benefit liability	(20,742)	(7,315)
Total changes in operating liabilities	(304,242)	(297,870)
Total changes in operating assets and liabilities	(1,943,691)	(1,036,401)
Total adjustments	(73,075)	719,349
Cash outflow generated from operations	(918,634)	(768,557)
Interest received	61,509	98,640
Interest paid	(77,412)	(55,595)
Income taxes paid	(1,757)	(13,437)
Net cash flows used in operating activities	(936,294)	(738,949)
Cash flows from (used in) investing activities:		
Acquisition of property, plant and equipment	(1,686,216)	(1,281,303)
Proceeds from disposal of property, plant and equipment	17,535	97,932
Decrease (Increase) in other receivables due from related parties	2,180,000	(600,000)
Decrease in other non-current assets	1,085	15,626
Net cash flows from (used in) investing activities	512,404	(1,767,745)
Cash flows (used in) from financing activities:		
(Decrease) Increase in short-term loans	(74,723)	463,202
Proceeds from long-term debt	-	708,874
Repayments of long-term debt	(1,179,158)	(1,196,697)
Increase in guarantee deposits	58,580	10,278
(Decrease) Increase in other payables to related parties	(161,083)	199,607
Cash dividends paid	(323,083)	(516,932)
Net cash flows used in financing activities	(1,679,467)	(331,668)
Effect of exchange rate changes on cash and cash equivalents	(60,452)	(150,410)
Net decrease in cash and cash equivalents	(2,163,809)	(2,988,772)
Cash and cash equivalents at beginning of period	11,998,473	14,174,871
Cash and cash equivalents at end of period	**$ 9,834,664**	**11,186,099**

See accompanying notes to consolidated financial statements.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Nan Ya Printed Circuit Board Corporation "the Company" was legally established with the approval by the Ministry of Economic Affairs on October 28, 1997, with registered address at 3F, No.201-36, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan. The Company and its subsidiaries "the Group" main operating activities are primarily in the manufacturing and selling of printed circuit boards.

(2) Approval date and procedures of the consolidated financial statements

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on November 12, 2018.

(3) New standards, amendments and interpretations adopted

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

(Continued)

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements" which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group' s approach was to include the impairment of trade receivables in selling expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 " Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note (4)(c).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ' incurred loss' model in IAS 39 with the ' expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note (4)(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

· Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

·The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

— The determination of the business model within which a financial asset is held.

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

— The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Equity instruments	Available-for-sale (note 1)	903,549	FVTPL	903,549
Accounts and other receivables	Loans and receivables (note 2)	8,258,637	Amortized cost	8,258,637

Note1: These equity securities (fund investments) represent investments that the Group intends to hold for trading strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVTPL, with the carrying amount of $903,549, resulting in a decrease of $3,549 and an increase of $3,549 in other equity interest and retained earnings, respectively, which were recognized on January 1, 2018.

Note2: Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial assets.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity interest
Fair value through profit or loss					
Beginning balance of available-for-sale (IAS 39)	$ 903,549	(903,549)		-	-
Available-for-sale to FVTPL	-	903,549		3,549	(3,549)
Total	$ 903,549	-	903,549	3,549	(3,549)
Amortized cost					
Beginning balance of accounts and other receivables (IAS 39)	$ 8,258,637	-	8,258,637	-	-

(ii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(u).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	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
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 " Leases" , IFRIC 4 " Determining whether an Arrangement contains a Lease" , SIC-15 " Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group' s discounting rate, the composition of the Group' s lease portfolio at that date, the Group' s latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses, and factory facilities. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

The Group is not required to make any adjustments for leases in which the Group is the lessor except where the Group is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Group will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

Those which may be relevant to the Group are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Group is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its consolidated financial position and consolidated financial performance. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Regulations) and IAS 34 "Interim Financial Reporting" which was endorsed by the FSC. These consolidated interim financial statements do not include all disclosures required for full annual consolidated financial statements under the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (hereinafter referred to as IFRS endorsed by the FSC).

(Continued)

Except as described below, the significant accounting policies adopted in the accompanying consolidated financial statements are the same as those in the consolidated financial statements as of and for the year ended December 31, 2017. Please refer to note 4 of the consolidated financial statements as of and for the year ended December 31, 2017 for relevant information.

(b) Basis of consolidation

(i) The subsidiaries included in the consolidated financial statements include:

Investor	Name of subsidiary	Business activity	Percentage of ownership (%) September 30, 2018	December 31, 2017	September 30, 2017
The Company	NPUC	Selling and other services	100 %	100 %	100 %
The Company	NPHK	Selling and investing in electronic products	100 %	100 %	100 %
NPHK	NPKC	Producing and selling PCB	100 %	100 %	100 %

(ii) All subsidiaries are listed in the consolidated financial statements.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

·it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

·its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

· it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

· its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets measured at amortized costs, notes and accounts receivable, other receivables, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

·debt securities that are determined to have low credit risk at the reporting date; and

· other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ' credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

·significant financial difficulty of the borrower or issuer;

·a breach of contract such as a default or being more than 1 year past due;

·the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

·it is probable that the borrower will enter bankruptcy or other financial reorganization; or

·the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in " other equity – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(d) Income taxes

The Group evaluated and disclosed interim income tax expense in accordance with paragraph B12 of IAS 34 "Interim Financial Reporting".

Income tax expense is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost for the interim period is calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(f) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group recognizes revenue when control of the products has been transferred, and when the products are delivered to the customer, wherein the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer' s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

The consolidated interim financial statements were prepared in conformity with IAS 34 "Interim Financial Reporting" as endorsed by the FSC, under which, management made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

In these consolidated interim financial statements, judgments made by the management and the key sources of estimation uncertainty in the application of critical accounting policies are consistent with those disclosed in note 5 of the consolidated financial statements for the year ended December 31, 2017.

(6) Explanation of significant accounts

Except as described below, the description of significant accounts in the accompanying consolidated financial statements is not materially different from those in the consolidated financial statements as of and for the year ended December 31, 2017. Please refer to note 6 of the consolidated financial statements as of and for the year ended December 31, 2017 for relevant information.

(a) Cash and cash equivalents

	September 30, 2018	December 31, 2017	September 30, 2017
Cash on hand	$ 43	65	29
Cash in banks	3,943,429	530,173	1,078,465
Cash equivalents – time deposits	4,177,257	5,260,611	4,483,372
Cash equivalents – commercial paper	254,005	3,887,042	1,938,572
Cash equivalents – repurchase bonds	1,459,930	2,320,582	3,685,661
	$ 9,834,664	**11,998,473**	**11,186,099**

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

	September 30, 2018	December 31, 2017	September 30, 2017
Financial assets designated as at fair value through profit or loss：			
Currency funds	**$ 906,444**	-	-

(c) Available-for-sale financial assets

	December 31, 2017	September 30, 2017
Available-for-sale financial assets—current		
Currency funds	**$ 903,549**	**902,636**

(d) Notes and accounts receivable

	September 30, 2018	December 31, 2017	September 30, 2017
Notes receivable from operations	$ 28,484	37,261	40,824
Accounts receivable－non-related parties	6,982,918	5,944,259	6,732,914
Accounts receivable－related parties	14,913	50,788	19,330
Less:Loss allowance	(60,782)	(50,179)	(53,327)
	$ 6,965,533	**5,982,129**	**6,739,741**

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on September 30, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision of receivables as of September 30, 2018 amounted to $60,782, and the expected loss rate is lower than 1%.

The aging analysis of notes and trade receivable with expected credit losses as of September 30, 2018 was determined as follows:

	September 30, 2018
Pass due within 1 month	$ 132,600
Pass due 1 to 3 months	3,885
Pass due 3 to 6 months	1,479
Pass due 6 to 12 months	1,677
	$ 139,641

As of December 31 and September 30, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable as of December 31 and September 30, 2017, which were past due but not impaired, was as follows:

	December 31, 2017	September 30, 2017
Pass due within 1 month	$ 161,685	217,304
Pass due 1 to 3 months	20,360	69,058
Pass due 3 to 6 months	11,557	27,166
Pass due 6 to 12 months	3,119	390
	$ 196,721	**313,918**

(Continued)

The movement in the allowance for notes receivable and accounts receivable were as follows:

		2017		
	2018	Individually assessed impairment	Collectively assessed impairment	Total
Balance as of January 1 per IAS 39	$ 50,179	-	52,680	52,680
Adjustment on initial application of IFRS 9	-			
Balance as of January 1 per IFRS 9	50,179			
Impairment losses recognized	10,616	-	656	656
Effect of exchange rate changes	(13)	-	(9)	(9)
Balance as of September 30	$ 60,782	-	53,327	53,327

(e) Other receivables

	September 30, 2018	December 31, 2017	September 30, 2017
Other receivables－other	$ 158,396	96,508	124,307
Other receivables—loans to related parties	-	2,180,000	2,000,000
Less:Loss allowance	-	-	-
	$ 158,396	2,276,508	2,124,307

As of December 31 and September 30, 2017, the Group has no other receivables, which were past due but not impaired.

For the nine months ended September 30, 2017, the movement in the allowance for other receivables was as follows:

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	$ -	-	-
Balance at September 30, 2017	$ -	-	-

For further credit risk information, please refers to note 6(r).

(f) Inventories

	September 30, 2018	December 31, 2017	September 30, 2017
Finished goods	$ 971,958	1,049,311	912,636
Work in process	2,160,395	1,540,838	1,668,792
Raw materials	950,692	915,532	790,667
Supplies	301,757	266,430	266,898
	$ 4,384,802	**3,772,111**	**3,638,993**

As of September 30, 2018, December 31, 2017, and September 30, 2017, the allowance for inventory market decline amounted to $113,140, $113,365 and $133,848, respectively. Due to the decline in inventory market price, the sale of inventories with previously recognized allowance of loss, and the period-end re-evaluation, the Group recognized a loss (reversal of loss) on inventory market price of $746 and $(37), $926 and $(39), respectively, which were debited (credited) to cost of goods sold for the three months and nine months ended September 30, 2018 and 2017.

(g) Property, plant and equipment

The cost and accumulated depreciation and impairment of the property, plant and equipment of the Group for the nine months ended September 30, 2018 and 2017 were as follows:

	Building	Machinery and equipment	Vehicles	Miscellaneous equipment	Construction in progress	Total
Cost:						
Balance as of January 1, 2018	$ 4,512,835	40,728,572	20,250	4,327,349	603,804	50,192,810
Additions	-	394,386	-	(20,678)	1,316,563	1,690,271
Disposals	-	(990,651)	-	(7,637)	-	(998,288)
Reclassification	38,595	1,153,411	-	93,285	(1,285,291)	-
Effect of exchange rate changes	(66,843)	(457,537)	(159)	(5,318)	(6,779)	(536,636)
Balance as of September 30, 2018	**$ 4,484,587**	**40,828,181**	**20,091**	**4,387,001**	**628,297**	**50,348,157**
Balance as of January 1, 2017	$ 4,467,305	40,825,003	20,184	4,190,956	1,175,280	50,678,728
Additions	-	268,538	622	13,298	1,010,216	1,292,674
Disposals	-	(1,114,012)	-	(5,736)	-	(1,119,748)
Reclassification	86,494	1,190,352	(473)	45,324	(1,321,697)	-
Effect of exchange rate changes	(41,961)	(285,703)	(86)	(2,837)	(19,260)	(349,847)
Balance as of September 30, 2017	**$ 4,511,838**	**40,884,178**	**20,247**	**4,241,005**	**844,539**	**50,501,807**

(Continued)

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	Building	Machinery and equipment	Vehicles	Miscellaneous equipment	Construction in progress	Total
Accumulated depreciation and impairment:						
Balance as of January 1, 2018	$ 2,065,891	30,120,708	13,338	3,586,247	-	35,786,184
Depreciation for the period	135,244	1,584,687	650	85,665	-	1,806,246
Recovery of impairment loss	-	(9,781)	-	-	-	(9,781)
Disposals	-	(911,357)	-	(7,773)	-	(919,130)
Effect of exchange rate changes	(29,858)	(241,789)	(117)	(4,690)	-	(276,454)
Balance as of September 30, 2018	**$ 2,171,277**	**30,542,468**	**13,871**	**3,659,449**	**-**	**36,387,065**
Balance as of January 1, 2017	$ 1,902,303	29,826,089	12,870	3,475,213	-	35,216,475
Depreciation for the period	133,495	1,664,157	718	82,131	-	1,880,501
Recovery of impairment loss	-	(91,553)	(12)	(3,670)	-	(95,235)
Disposals	-	(979,445)	-	(1,826)	-	(981,271)
Reclassification	-	(7,508)	(473)	7,981	-	-
Effect of exchange rate changes	(15,201)	(133,860)	(49)	(1,900)	-	(151,010)
Balance as of September 30, 2017	**$ 2,020,597**	**30,277,880**	**13,054**	**3,557,929**	**-**	**35,869,460**
Carrying amounts:						
Balance as of September 30, 2018	**$ 2,313,310**	**10,285,713**	**6,220**	**727,552**	**628,297**	**13,961,092**
Balance as of December 31, 2017	**$ 2,446,944**	**10,607,864**	**6,912**	**741,102**	**603,804**	**14,406,626**
Balance as of September 30, 2017	**$ 2,491,241**	**10,606,298**	**7,193**	**683,076**	**844,539**	**14,632,347**

(h) Short-term loans

Details of short-term loans of the Group were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Unsecured bank loans	**$ 373,895**	**463,398**	**463,202**
Range of interest rates	**4.17%-4.35%**	**4.35%**	**4.15%-4.35%**

(i) Long-term loans

The long-term loans consisted of the following:

	September 30, 2018			
	Currency	Interest rate range	Expiration	Amount
Unsecured long-term bank loans	RMB	4.75%	2020	**$ 929,796**

(Continued)

	December 31, 2017			
	Currency	Interest rate range	Expiration	Amount
Unsecured long-term bank loans	USD	1.36%-2.28%	2018	$ 1,173,973
Unsecured long-term bank loans	RMB	4.75%	2020	956,316
Less: current portion				1,173,973
Total				$ 956,316

	September 30, 2017			
	Currency	Interest rate range	Expiration	Amount
Unsecured long-term bank loans	USD	1.36%-2.2793%	2018	$ 1,191,922
Unsecured long-term bank loans	RMB	2.2793%-4.75%	2020	709,348
Less: current portion				1,191,922
Total				$ 709,348

(j) Employee benefits

(i) Defined benefit plan

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim consolidated financial statements was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

The pension expense recorded was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Operating costs	$ 10,181	11,578	30,511	34,627
Selling expenses	295	348	855	1,050
Administrative expenses	1,209	1,436	3,690	4,406
	$ 11,685	13,362	35,056	40,083

(ii) Defined contribution plan

The pension cost contributed to the related authority was as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Operating costs	$ 94,034	100,621	288,783	306,841
Selling expenses	1,781	1,915	5,059	4,862
Administrative expenses	5,698	5,773	17,818	18,984
	$ 101,513	108,309	311,660	330,687

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(k) Income tax

(i) The details of income tax expense were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Current income tax expenses (income)				
Current period	$ 5	(2)	427	360

(ii) The details of income tax benefit (expense) under other comprehensive income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Items that could not be reclassified subsequently to profit or loss:				
Remeasurements of defined benefit plan	$ -	-	4,556	-
Items that could be reclassified subsequently to profit or loss:				
Exchange differences arising from translation of foreign financial statements	76,258	13	172,978	124
	$ 76,258	13	177,534	124

(iii) The Company's income tax return has been examined by the ROC tax authority through 2016.

(Continued)

(iv) The ROC Income Tax Act allows the offset of net losses, as assessed by the tax authorities against taxable income over a period of ten years for the local tax reporting purposes. As of September 30, 2018, unused loss carry forward available to the Company were as follows:

Year	Unused loss carry forward	Expiry year
2012 (Assessment)	$ 1,992,837	2022
2013 (Assessment)	1,285,305	2023
2016 (Assessment)	1,565,767	2026
2017 (Filing)	1,881,034	2027
Total	**$ 6,724,943**	

(l) Capital and other equity interest

Except for those described below, there were no material changes in equity for the nine months ended September 30, 2018 and 2017. Please refer to note 6(j) of the consolidated financial statements for the year ended December 31, 2017 for other relevant disclosures.

(i) Capital surplus

The components of capital surplus were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
Paid-in capital in excess of par value	$ 19,433,408	21,149,093	21,149,093
Employee stock options	250,434	250,434	250,434
Others	253	253	123
	$ 19,684,095	**21,399,780**	**21,399,650**

According to the ROC Company Act, the realized capital surplus can only be used for the distribution of stock or cash dividends, appropriated proportionately to shareholders, after covering accumulated deficit, if any.

As approved by the stockholders' meeting on June 12, 2018 and June 22, 2017, the Company resolved to appropriate $323,083 and $516,932 out of its paid-in capital in excess of par value as cash dividends to its shareholders amounting to $0.5 and $0.8 (NTD) per stock, respectively.

(ii) Retained earnings

According to the rules of the Company' s articles, the Company' s annual net earnings, after providing for income tax and covering the losses of previous years, is first set aside for legal reserve at the rate of 10% thereof. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder plus the undistributed earnings of the previous years are distributed or left undistributed for business purposes according to the resolution of the stockholders' dividend distribution plan, which are initially proposed by the Board of Directors and adopted by the shareholders in the Annual Stockholders' Meeting.

The Company adopts three kinds of dividend distribution policies, which are cash dividends, capitalization of earnings, and capital surplus. The net earnings after deducting the legal reserve and special reserve may first be distributed by way of cash dividends which shall be equal to at least fifty percent of the Company' s total dividend distribution every year. The capitalization of earnings and capital surplus shall not exceed fifty percent of the total dividends.

1) Special reserve

As approved during the stockholders' meeting on June 22, 2017, the Company released the amount of $672,510 from its special reserve and reclassified it to retained earnings. Also, in accordance with Article 41 of the Securities and Exchange Act, the Company appropriated the special reserve of $379,765, which equaled to the net negative amount of equity.

(iii) Other equity interest (net of tax)

	Exchange differences arising from translation of foreign operations	Available-for-sale investments	Total
Balances as of January 1, 2018	$ (584,125)	3,549	(580,576)
Effects of retrospective application	-	(3,549)	(3,549)
Balance as of January 1, 2018 after adjustments	(584,125)	-	(584,125)
Exchange differences arising from translation of foreign operations	(107,931)	-	(107,931)
Balances as of September 30, 2018	**$ (692,056)**	-	**(692,056)**
Balance as of January 1, 2017	$ (380,064)	299	(379,765)
Exchange differences arising from translation of foreign operations	(210,001)	-	(210,001)
Unrealized gain on available-for-sale financial assets	-	2,337	2,337
Balance as of September 30, 2017	**$ (590,065)**	**2,636**	**(587,429)**

(m) Share-based payment transactions

There were no material changes on the share-based payment transactions for the nine months ended September 30, 2018 and 2017. Please refer to note 6(k) of the consolidated financial statements for the year ended December 31, 2017 for disclosures on related details.

The Company issued its employee stock option certificates on June 23, 2009 and March 25, 2010, which had expired on June 22, 2017 and March 24, 2018, respectively.

(n) Earnings per share

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Basic earnings per share				
Net income attributable to equity shareholders of the Company	$ 46,923	(422,897)	(845,986)	(1,488,266)
Weighted average number of ordinary share outstanding (in thousands of shares)	646,166	646,166	646,166	646,166
Basic earnings per share (NT$)	$ 0.07	(0.65)	(1.31)	(2.30)

The exercise price of the options issued by the Company exceeded the average market price of the shares during the three months and nine months ended September 30, 2018 and 2017. Due to the anti-dilutive effects, the stock options were not included in the calculation of the diluted earnings per share.

(o) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the three months ended September 30, 2018	For the nine months ended September 30, 2018
Primary geographical markets：		
Taiwan	$ 2,811,422	7,771,196
USA	232,418	681,508
Mainland China	3,037,489	7,735,994
Other countries	1,834,386	4,891,444
	$ 7,915,715	21,080,142
Major products：		
Printed circuit board	$ 7,708,023	20,488,613
Others	207,692	591,529
	$ 7,915,715	21,080,142

(Continued)

(ii) Contract balances

	September 30, 2018	January 1, 2018
Notes receivable from operations	$ 28,484	37,261
Accounts receivable—non-related parties	6,982,918	5,944,259
Accounts receivable—related parties	14,913	50,788
Less: allowance for doubtful accounts	(60,782)	(50,179)
	$ 6,965,533	**5,982,129**

For details on accounts receivable and allowance for impairment, please refer to note 6(d).

(p) Employee compensation

According to the Company' s articles of incorporation, which are subject to the shareholders' approval, the Company's annual net profit should be set aside from the allocation 0.05% to 0.5% as employee compensation based on the Company' s net profit before tax offsetting employee compensation. When the Company incurs accumulated deficit, the Company should be reserve in advance with covering the accumulated deficit. The Company did not recognize employee compensation for the nine months ended September 30, 2018 and 2017 due to the loss incurred.

The Company did not recognize employee compensation for the years ended December 31, 2017 and 2016 due to the loss incurred. Related information can be accessed from the Market Observation Post System website.

(q) Non-operating income and expenses

(i) Other income

The Group's other income were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Interest income	$ 13,530	28,439	58,138	97,044
Others	29,739	21,717	72,685	99,305
	$ 43,269	**50,156**	**130,823**	**196,349**

(ii) Other gains and losses

The Group's other gains and losses were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Net foreign exchange gains (loss)	$ 73,646	(26,349)	204,603	(572,831)
Loss on disposal of property, plant and equipment	(29,093)	(14,508)	(61,623)	(40,545)
Gain on disposal of materials and spoilages	85,229	92,299	233,619	221,104
Gain on recovery of impairment loss	4,403	8,356	9,781	95,235
Gains on financial assets at fair value through profit or loss	997	-	2,895	-
Others	(2,817)	(343)	(4,029)	(1,686)
	$ 132,365	**59,455**	**385,246**	**(298,723)**

(iii) Finance costs

The details of finance costs were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Interest expense	$ 22,607	22,566	72,448	56,897
Less: Interest capitalized	(1,669)	(3,253)	(4,055)	(11,371)
	$ 20,938	**19,313**	**68,393**	**45,526**
Interest rate of capitalization	2.2793%	2.2793%	2.2793%	2.0200%-2.2840%

(r) Financial instruments

Except for the contention mentioned below, there was no significant change with regard to the fair value and exposure risks of credit risk, liquidity risk and market risk on financial instruments. Please refer to note 6(p) of the consolidated financial statements for the year ended December 31, 2017 for the related information.

(i) Liquidity risk

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount	Contractual cash flow	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
September 30, 2018							
Non-derivative financial liabilities							
Unsecured short-term bank loans	$ 373,895	377,797	377,797	-	-	-	-
Unsecured long-term bank loans (including current portion)	929,796	1,009,704	-	-	1,009,704	-	-
Accounts payable (including related parties)	2,097,046	2,097,046	2,097,046	-	-	-	-
Other payables (including related parties)	1,480,593	1,480,593	1,480,593	-	-	-	-
	$ 4,881,330	**4,965,140**	**3,955,436**	**-**	**1,009,704**	**-**	**-**
December 31, 2017							
Non-derivative financial liabilities							
Unsecured short-term bank loans	$ 463,398	467,872	467,872	-	-	-	-
Unsecured long-term bank loans (including current portion)	2,130,289	2,255,688	1,183,210	-	-	1,072,478	-
Accounts payable (including related parties)	2,092,846	2,092,846	2,092,846	-	-	-	-
Other payables (including related parties)	1,919,614	1,920,955	1,920,955	-	-	-	-
	$ 6,606,147	**6,737,361**	**5,664,883**	**-**	**-**	**1,072,478**	**-**
September 30, 2017							
Non-derivative financial liabilities							
Unsecured short-term bank loans	$ 463,202	469,265	469,265	-	-	-	-
Unsecured long-term bank loans (including current portion)	1,901,270	1,991,566	604,074	604,074	783,418	-	-
Accounts payable (including related parties)	1,890,740	1,890,740	1,890,740	-	-	-	-
Other payables (including related parties)	1,699,977	1,703,225	1,703,225	-	-	-	-
	$ 5,955,189	**6,054,796**	**4,667,304**	**604,074**	**783,418**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(ii) Currency risk

1) Exposure to currency risk

The Group's exposure to significant foreign currency risk was as follows:

	September 30, 2018		
	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 242,560	30.5510	7,410,462
EUR	39	35.5288	1,371
JPY	52,972	0.2692	14,260
Financial liabilities			
Monetary items			
USD	9,637	30.5510	294,423
JPY	846,019	0.2692	227,748
CNY	109	4.4413	484

	December 31, 2017		
	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 199,373	29.8480	5,950,890
EUR	46	35.6081	1,647
JPY	2,734	0.2641	722
Financial liabilities			
Monetary items			
USD	51,130	29.8480	1,526,139
JPY	616,138	0.2641	162,722
CNY	2	4.5679	9

	September 30, 2017		
	Foreign currency	Exchange rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 252,582	30.3050	7,654,484
EUR	4	35.8104	155
JPY	3,514	0.2695	947
Financial liabilities			
Monetary items			
USD	50,515	30.3050	1,530,844
JPY	551,062	0.2695	148,511
CNY	13	4.5660	57

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the foreign currency exchange fluctuations on cash and cash equivalents, accounts receivable, other receivables, loans, accounts payable and other payables which are denominated in foreign currencies. A 1% depreciation or appreciation of the NTD against the USD as of September 30, 2018 and 2017 would have increased or decreased the net income before tax by $71,160 and $61,236 for the nine months ended September 30, 2018 and 2017, respectively. The analysis is performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary items

Due to the variety of functional currencies, the Group disclosed its aggregated foreign exchange gains (losses); the Group's foreign exchange gains and losses, including realized and unrealized, for the nine months ended September 30, 2018 and 2017 were the net exchange gain (losses) of $204,603 and $(572,831), respectively.

(iii) Fair value information

1) Fair value of financial instruments

The Group measured its financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available-for-sale financial assets) on a recurring basis. The carrying amount and fair value of the Group's financial assets and liabilities, were as follows:

	September 30, 2018				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Currency funds	$ 906,444	906,444	-	-	906,444
Financial assets measured by amortized cost					
Cash and cash equivalents	$ 9,834,664	-	-	-	-
Notes and accounts receivable, net (including related parties)	6,965,533	-	-	-	-
Other receivables (including related parties)	158,396	-	-	-	-
Total	$ 16,958,593	-	-	-	-
Financial liabilities measured by amortized cost					
Short-term loans	$ 373,895	-	-	-	-
Accounts payable (including related parties)	2,097,046	-	-	-	-
Other payables (including related parties)	1,480,593	-	-	-	-
Long-term loans (including current portion)	929,796	-	-	-	-
Total	$ 4,881,330	-	-	-	-

	December 31, 2017				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Currency funds	$ 903,549	903,549	-	-	903,549
Loans and receivables					
Cash and cash equivalents	$ 11,998,473	-	-	-	-
Notes and accounts receivable, net (including related parties)	5,982,129	-	-	-	-
Other receivables (including related parties)	2,276,508	-	-	-	-
Total	$ 20,257,110	-	-	-	-

(Continued)

	December 31, 2017				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial liabilities measured by amortized cost					
Short-term loans	$ 463,398	-	-	-	-
Accounts payable (including related parties)	2,092,846	-	-	-	-
Other payables (including related parties)	1,919,614	-	-	-	-
Long-term loans (including current portion)	2,130,289	-	-	-	-
Total	$ 6,606,147	-	-	-	-

	September 30, 2017				
		Fair Value			
	Carrying Value	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Currency funds	$ 902,636	902,636	-	-	902,636
Loans and receivables					
Cash and cash equivalents	$ 11,186,099	-	-	-	-
Notes and accounts receivable, net (including related parties)	6,739,741	-	-	-	-
Other receivables (including related parties)	2,124,307	-	-	-	-
Total	$ 20,050,147	-	-	-	-
Financial liabilities measured by amortized cost					
Short-term loans	$ 463,202	-	-	-	-
Accounts payable (including related parties)	1,890,740	-	-	-	-
Other payables (including related parties)	1,699,977	-	-	-	-
Long-term loans (including current portion)	1,901,270	-	-	-	-
Total	$ 5,955,189	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

Financial liabilities measured by amortized cost

Fair value measurement is based on the latest quoted price and agreed-upon price if these prices are available in an active market. When market value is unavailable, the fair value of financial assets and liabilities are evaluated based on the discounted cash flow of the financial assets and liabilities.

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

If a quoted price is available on an active market, the market price should be used as the fair value; the market price published by the primary stock exchanges as the basis of fair value evaluation for listed equity instruments.

Financial instruments have an active market price when the public offer of financial instruments, which represents the actual price of the fair market where transactions often incur, can be frequently and promptly obtained from brokers, underwriters, industrial unions, institutes of pricing services and authorities. The market is considered inactive when conditions mentioned above are not met. In general, high or incremental differences between the buying and selling price or low trading volumes are indications of inactive markets.

If the financial instruments the Group possesses have an active market price, the nature of its fair value will be as follows:

Stock of listed companies has standard clauses while financial assets and liabilities traded in the active markets refer to the market price when deciding their fair value.

Except for those financial instruments with active markets mentioned above, the fair values of other financial instruments are measured by referring to the price of other commencing components.

(s) Financial risk management

There were no material changes in the Group's financial risk management objective and policy since December 31, 2017. Please refer to the detailed disclosure on financial risk management in note 6(q) of the consolidated financial statements for the year ended December 31, 2017.

(t) Capital management

There were no material changes in the Group's capital management target, policy and procedure and in quantitative information adopted for capital management since December 31, 2017. Please refer to note 6(r) of the consolidated financial statements for the year ended December 31, 2017 for the detailed disclosure on capital management.

(u) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the nine months ended September 30 2018, were as follows:

	January 1, 2018	Cash flows	Non-cash changes: Foreign exchange movement	September 30, 2018
Short-term loans	$ 463,398	(74,723)	(14,780)	373,895
Long-term loans (including current portion)	2,130,289	(1,179,158)	(21,335)	929,796
Total liabilities from financing activities	$ 2,593,687	(1,253,881)	(36,115)	1,303,691

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Nan Ya Plastics Corporation	The parent company
Nan Ya Electronic Materials (Kunshan) Co., Ltd	The Group's parent company is the ultimate controlling parent of the company
Nan Ya Plastics (Huizhou) Co., Ltd	The Group's parent company is the ultimate controlling parent of the company
PFG Fiber Glass (Kunshan) Co., Ltd.	The Group's parent company is the ultimate controlling parent of the company
Nan Ya Electric (Nantong) Corporation	The Group's parent company is the ultimate controlling parent of the company
Formosa Plastics Corporation	The Group's parent company is the company's board of director
Mai Liao Harbor Administration Corp.	The Group's parent company is the company's board of director
Formosa Heavy Industries Corporation	The Group's parent company is the company's board of director
Formosa Plastics Transport Corporation	The Group's parent company is the company's board of director
Formosa Technologies Corporation	The Group's parent company is the company's board of director

(Continued)

Name of related party	Relationship with the Group
Mai Liao Power Corporation	The Group's parent company is the company's board of director
Formosa Plastics Marine Corp.	The Group's parent company is the company's board of director
Formosa Biomedical Technology Corp.	The Group's parent company is a board of director of the company
Hwa Ya Power Corporation	The Group's parent company is a board of director of the company
Nanya Technology Corporation	The same chairman
Wellink Technology Corporation	The same chairman
Formosa Advanced Technology Corporation	The Company's board of director is the chairman of the company

(b) Other related-party transactions

(i) Operating revenues

Significant sales to related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Other related parties – others	$ 23,196	49,309	161,666	145,616

(ii) Receivables from related parties

The balance of accounts receivable from related parties were as follows:

Account	Relation	September 30, 2018	December 31, 2017	September 30, 2017
Accounts receivable from related parties	Other related parties-others	$ 14,913	50,788	19,330

Sales price is cost plus profit as quoted price. The normal credit term with the companies above is collection on open account 70 days. There is no collateral received among related parties accounts receivable and there is no need to estimate bad debt expense.

(iii) Purchases from related parties

Significant purchases from related parties were as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
The parent company	$ 280,002	270,138	752,938	716,673
Other related parties—NEMK	498,209	568,246	1,762,240	1,671,859
Other related parties—others	53,272	55,982	152,714	159,768
	$ 831,483	**894,366**	**2,667,892**	**2,548,300**

(iv) Accounts payable to related parties

The details of accounts payable to related parties were as follows:

Account	Relation		September 30, 2018	December 31, 2017	September 30, 2017
Accounts payable to related parties	The parent company	$	96,868	102,821	97,248
Accounts payable to related parties	Other related parties—NEMK		206,152	445,585	210,683
Accounts payable to related parties	Other related parties—others		16,779	24,647	20,911
		$	**319,799**	**573,053**	**328,842**

The purchase price from related parties is not significantly different from that from non-related general parties. The normal credit term with the related parties above is collected on open account 30 days, on open account 60 days, on open account 90 days, and on the day following the day of approving payment.

(v) Financing to related parties

Financing to related parties were as follows:

	Other receivables due from related parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties—HYPC	$ -	1,000,000	1,000,000
Other related parties—FHIC	-	1,000,000	1,000,000
Other related parties—FPTC	-	180,000	-
	$ -	**2,180,000**	**2,000,000**

(vi) Financing from related parties

Financing from related parties (accounted under other payables to related parties) were as follows:

	Other payables to related parties		
	September 30, 2018	December 31, 2017	September 30, 2017
Other related parties – others	$ -	159,878	205,470

(vii) Lease of property, plant and equipment

The Group signed lease contracts with the parent company to rent the factories, located in Luchu Dist., Taoyuan City, and Shulin Dist., New Taipei City, employees' dormitories, and the office in Taipei, etc. The related parties charged their rentals based on the local market prices, which are paid monthly. The expenses from the above operating lease were recognized as expense for the three months and nine months ended September 30, 2018 and 2017 were $49,575 and $48,210, $145,999 and $145,090, respectively.

(viii) Others

The Group bought utilities from Nan Ya Electronic Materials (Kunshan) Co., Ltd. amounting to $131,222 and $125,040, $420,805 and $374,324, for the three months and nine months ended September 30, 2018 and 2017, respectively. As of September 30 2018, December 31, 2017 and September 30, 2017, the Group still had unpaid payables accounted under other payables to related parties amounting to $96,999, $61,323 and $48,113, respectively.

(c) Transactions with key management personnel

Compensation of key management personnel

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
Short-term employee benefits	$ 3,020	3,187	9,077	8,566

(8) Pledged assets: None

(9) Commitments and contingencies

(a)

	September 30, 2018	December 31, 2017	September 30, 2017
Outstanding letters of credit for the importation of raw materials	$ 41,354	-	-

(b) The endorsements by the bank were as follows:

	September 30, 2018	December 31, 2017	September 30, 2017
The guarantee for customs	$ 22,000	25,000	25,000

	September 30, 2018	December 31, 2017	September 30, 2017
The guarantee for letters of credit	$ 20,000	22,275	22,275

(c) The Company provided a comfort letter for the loan from Chang Hwa Commercial Bank and others of its subsidiary, NPKC, and is responsible for monitoring and ensuring timely repayments.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others

(a) The Group's employee benefits, depreciation, and amortization expenses, categorized by function, were as follows:

	For the three months ended September 30, 2018			For the three months ended September 30, 2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,520,775	148,306	1,669,081	1,399,485	141,196	1,540,681
Labor and health insurance	115,880	11,196	127,076	115,434	11,237	126,671
Pension expenses	104,215	8,983	113,198	112,199	9,472	121,671
Remuneration of directors	-	1,500	1,500	-	1,500	1,500
Other personnel expenses	56,381	4,421	60,802	59,396	4,583	63,979
Depreciation expenses	571,158	1,406	572,564	658,429	1,648	660,077
Amortization expenses	603	-	603	603	-	603

	For the nine months ended September 30, 2018			For the nine months ended September 30, 2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	4,366,498	425,058	4,791,556	4,099,570	423,631	4,523,201
Labor and health insurance	347,464	33,961	381,425	363,406	35,204	398,610
Pension expenses	319,294	27,422	346,716	341,468	29,302	370,770
Remuneration of directors	-	4,550	4,550	-	3,635	3,635
Other personnel expenses	172,599	13,417	186,016	178,992	14,073	193,065
Depreciation expenses	1,801,752	4,494	1,806,246	1,875,129	5,372	1,880,501
Amortization expenses	1,810	-	1,810	1,810	-	1,810

(b) The seasonality of operation

The operation of the Group is not influenced by seasonality and periodicity.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures

(a) Information on significant transactions

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

(in thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 1)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	NPHK	Other receivables-related parties	Yes	50,000	50,000	-	-	2	-	Operating capital	-	None	-	7,371,007 (Note 2)	14,742,014 (Note 3)
0	The Company	HYPC	Other receivables-related parties	Yes	1,000,000	-	-	1.408%	2	-	Operating capital	-	None	-	7,371,007 (Note 2)	14,742,014 (Note 3)
0	The Company	FHIC	Other receivables-related parties	Yes	3,000,000	-	-	1.408%	2	-	Operating capital	-	None	-	7,371,007 (Note 2)	14,742,014 (Note 3)
0	The Company	FPTC	Other receivables-related parties	Yes	180,000	180,000	-	1.408%	2	-	Operating capital	-	None	-	7,371,007 (Note 2)	14,742,014 (Note 3)
0	The Company	FPMC	Other receivables-related parties	Yes	2,000,000	2,000,000	-	-	2	-	Operating capital	-	None	-	7,371,007 (Note 2)	14,742,014 (Note 3)
0	The Company	NPKC	Other receivables-related parties	Yes	1,690,000	1,527,550	916,530 (Note 4)	3.439%	2	-	Operating capital	-	None	-	7,371,007 (Note 2).	14,742,014 (Note 3)

Note 1: 1. With business contact

2. Necessary for short-term financing

Note 2: The amount of financing to related parties or parties with business contact is subjected to a limit, which is 25% of the net value. To other counterparties, the limit is 20% of the net value.

Note 3: The amount of financing to others is subjected to a limit, which is 50% of the net value. To those without business contact but in need of fund, the limit is 40% of the net value.

Note 4: The transactions have been written off during the preparation of the consolidated financial statements..

(ii) Guarantees and endorsements for other parties: None

(iii) Securities held as of September 30, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(in thousands of shares and New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Capital Money Market Fund	-	Current financial assets at fair value through profit or loss	56,331	906,444	-	906,444	

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of $300 million or 20% of the capital stock: None

(v) Acquisition of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None

(vi) Disposal of individual real estate with amount exceeding the lower of $300 million or 20% of the capital stock: None

(Continued)

NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of $100 million or 20% of the capital stock:

(in thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	NYPC	Parent company	Purchase	700,083	5.66 %	O/A 30 days	-	-	(81,770)	(3.97)%	-
The Company	NPKC	Subsidiary of the Company	Purchase	6,738,158	54.47 %	O/A 30 days	-	-	(1,068,456)	(51.91)%	Note
NPKC	FATC	The Company's board of director is the chairman of the company	(sale)	112,847	(1.05)%	O/A 70 days	-	-	5,007	0.24%	-
NPKC	NEMK	Same chairman	Purchase	1,762,240	27.26 %	O/A 60 days	-	-	(206,152)	(18.57)%	-

Note: The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

(viii) Receivables from related parties with amounts exceeding the lower of $100 million or 20% of the capital stock:

(in thousands of New Taiwan Dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	NPKC (Note 1)	Subsidiary of the Company	Other receivables –related parties 916,530	Note	-		-	-
NPKC	The Company (Note 1)	Parent company	Accounts receivable –related parties1,068,456	8.73	-		869,516	-

Note: Other receivables from related parties without the calculating of turnover rate.

Note 1: The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

(ix) Trading in derivative instruments: None

(x) Business relationships and significant intercompany transactions:

(in thousands of New Taiwan Dollars)

No.	Name of company	Name of counter-party	Nature of relationship	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
1	NPKC	The Company	2	Sales	6,738,158	O/A 30 days	31.96%
1	NPKC	The Company	2	Accounts receivable-related parties	1,068,456	O/A 30 days	2.84%

Note 1: Numbers are filled in as follows

1. 0 represents the parent company

2. Subsidiaries are numbered from 1

Note 2: Classifications of relation with counterparty are listed as follows:

1. Parent to subsidiary

2. Subsidiary to parent

3. Between subsidiaries

Only data related to sales and accounts receivable of all the intercompany transactions and business contact are disclosed. The related purchase and accounts payable are not stated.

Note 3: The transaction amount divided by the consolidated net operating revenue or consolidated total assets.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
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(b) Information on investees (excluding information on investees in Mainland China)

The following is the information on investees for the nine months ended September 30, 2018:

(in thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of September 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				September 30, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying value			
The Company	NPHK	HK	Business of electronic products	5,020,900	5,020,900	1,223,820,000	100.00 %	9,881,666	(325,744)	(325,744)	Note
The Company	NPUC	USA	Customer sales promotion	3,479	3,479	1,000,000	100.00 %	13,165	567	567	Note

Note: The transactions listed in the left have been written off during the preparation of the consolidated financial statements.

(c) Information on investment in Mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(in thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of September 30, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Carrying value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
NPKC	Production and marketing of PCBs	5,017,721	(Note 1)	5,017,721	-	-	5,017,721	(325,974)	100.00%	(325,974) (Note 2)	9,868,096	-

Note 1: NPKC in Mainland China is invested through a company established in a third region.

Note 2: Investment income or loss is recognized according to the financial statements reviewed by the CPA of the Taiwanese parent company.

(ii) Limitation on investment in Mainland China:

(in thousands of New Taiwan Dollars)

Accumulated Investment in Mainland China as of September 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note)
5,017,721	5,017,721	-

Note: The Industrial Development Bureau of the MOEA issued a letter to the Company stating that it qualifies under Section 12 of the Statute for Upgrading Industries.

(iii) Information on significant transactions among investees in Mainland China:

Please refer to "Information on significant transactions" for direct or indirect significant transactions (written off during the preparation of the consolidated financial statements), between the Company and its investees in Mainland China for the nine months ended Spetmeber 30, 2018.

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NAN YA PRINTED CIRCUIT BOARD CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Segment information:

The information and reconciliation of operating segments of the Group are as follows:

	For the three months ended September 30, 2018				
	Domestic	American	Asian	Adjustments and elimination	Total
Revenue:					
From external clients	$ 6,570,848	-	1,344,867	-	7,915,715
Intersegments	3,763	6,611	2,453,795	(2,464,169)	-
Total revenue	**$ 6,574,611**	**6,611**	**3,798,662**	**(2,464,169)**	**7,915,715**
Income/Loss of reportable segments	**$ 46,923**	**1,214**	**128,017**	**(129,226)**	**46,928**

	For the three months ended September 30, 2017				
	Domestic	American	Asian	Adjustments and elimination	Total
Revenue:					
From external clients	$ 5,608,297	-	1,354,238	-	6,962,535
Intersegments	3,696	9,966	2,123,438	(2,137,100)	-
Total revenue	**$ 5,611,993**	**9,966**	**3,477,676**	**(2,137,100)**	**6,962,535**
Income/Loss of reportable segments	**$ (422,897)**	**3,610**	**(120,189)**	**116,577**	**(422,899)**

	For the nine months ended September 30, 2018				
	Domestic	American	Asian	Adjustments and elimination	Total
Revenue:					
From external clients	$ 17,091,432	-	3,988,710	-	21,080,142
Intersegments	14,600	19,881	6,738,158	(6,772,639)	-
Total revenue	**$ 17,106,032**	**19,881**	**10,726,868**	**(6,772,639)**	**21,080,142**
Income/Loss of reportable segments	**$ (845,986)**	**994**	**(325,744)**	**325,177**	**(845,559)**

	For the nine months ended September 30, 2017				
	Domestic	American	Asian	Adjustments and elimination	Total
Revenue:					
From external clients	$ 16,188,103	-	3,717,840	-	19,905,943
Intersegments	13,099	21,245	6,038,921	(6,073,265)	-
Total revenue	**$ 16,201,202**	**21,245**	**9,756,761**	**(6,073,265)**	**19,905,943**
Income/Loss of reportable segments	**$ (1,488,266)**	**710**	**(242,171)**	**241,821**	**(1,487,906)**

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	Domestic	American	Asian	Adjustments and elimination	Total
Assets of reportable segments					
September 30, 2018	$ 35,682,032	13,165	13,843,136	(11,975,340)	37,562,993
December 31, 2017	$ 36,517,834	12,297	15,487,376	(11,598,786)	40,418,721
September 30, 2017	$ 36,874,248	11,502	14,826,648	(11,416,577)	40,295,821
Liabilities of reportable segments					
September 30, 2018	$ 6,198,004	-	3,882,083	(2,001,122)	8,078,965
December 31, 2017	$ 5,761,362	-	4,919,368	(1,018,481)	9,662,249
September 30, 2017	$ 5,726,544	-	4,338,763	(917,190)	9,148,117