

English Translation of Financial Statements and a Report Originally Issued in Chinese

Ticker: 5288

**EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF MARCH 31, 2018 AND 2017
AND FOR THE THREE-MONTH PERIODS THEN ENDED
(REVIEWED BUT UNAUDITED)**

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The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

Consolidated financial statements

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English Translation of a Report Originally Issued in Chinese
REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders
of Eurocharm Holdings Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the “Company”) and its subsidiaries as of March 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended and the notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

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

Basis for Qualified Conclusion

As explained in Note 6(9), the financial statements of certain associates and joint ventures accounted for under the equity method were not reviewed by independent accountants. Those associates and joint ventures under equity method amounted to NT\$122,623 thousand and NT\$123,154 thousand as of March 31, 2018 and 2017, respectively. The related shares of profits from the associates and joint ventures under the equity method amounted to NT\$7,222 thousand and NT\$7,688 thousand, and the related shares of other comprehensive income from the associates and joint ventures under the equity method amounted to NT\$(640) thousand and NT\$(2,267) thousand for the three-month periods then ended, respectively. The information related to above-mentioned associates and joint ventures accounted for under the equity method disclosed in Note 13 was not reviewed by independent accountants either.

Qualified Conclusion

Based on our reviews, except for the effect of such adjustments, if any, as might have been determined to be necessary had the financial statements of certain associates and joint ventures accounted for using equity method and the information disclosed in Note 13 been reviewed by independent accountants described in the preceding paragraph, 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 Company and its subsidiaries as of March 31, 2018 and 2017, and their consolidated financial performance and cash flows for the three-month periods then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.



Ernst & Young
May 7th, 2018
Taipei, Taiwan,
Republic of China

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of March 31, 2018, December 31, 2017 and March 31, 2017 (March 31, 2018 and 2017 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Assets Accounts	Notes	As of		
		March 31, 2018	December 31, 2017	March 31, 2017
Current assets				
Cash and cash equivalents	6(1)	\$442,759	\$671,100	\$906,646
Financial assets measured at amortized cost	4, 6(2)	711,724	-	-
Debt instrument investments for which no active market exists	4, 6(3)	-	652,958	441,386
Notes receivables	6(4)	-	8	29
Trade receivables	4, 6(5), 6(20)	633,945	548,765	564,070
Trade receivables-related parties	4, 6(5), 6(20), 7	12,107	15,487	13,728
Other receivables		17,899	26,061	16,240
Other receivables-related parties	7	88	113	-
Current tax assets		12	-	-
Inventories	4, 6(6)	436,814	416,840	342,863
Prepayments		88,721	120,861	107,923
Other current assets		11,324	7,501	471
Total current assets		2,355,393	2,459,694	2,393,356
Non-current assets				
Financial assets measured at fair value through other comprehensive income	4, 6(7)	11,007	-	-
Financial assets carried at cost	4, 6(8)	-	11,007	11,007
Investment accounted for under the equity method	4, 6(9)	122,623	118,451	123,154
Property, plant and equipment	6(10), 8	766,710	747,936	591,572
Intangible assets	6(11)	9,588	5,343	5,422
Deferred tax assets	4, 6(25)	1,251	714	1,985
Other non-current assets	6(12)	56,988	400	405
Total non-current assets		968,167	883,851	733,545
Total assets		\$3,323,560	\$3,343,545	\$3,126,901

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - (CONTINUED)

As of March 31, 2018, December 31, 2017 and March 31, 2017 (March 31, 2018 and 2017 are reviewed but unaudited)

(Amounts Expressed In Thousands of New Taiwan Dollars)

Liabilities and Equity Accounts	Notes	As of		
		March 31, 2018	December 31, 2017	March 31, 2017
Current liabilities				
Short-term borrowings	6(13),8	\$48,358	\$57,021	\$47,544
Contract liabilities	4, 6(19)	44,843	-	-
Notes payables		-	1	-
Trade payables		319,918	353,259	267,436
Trade payables-related parties	7	7,174	8,394	7,391
Other payables	6(14)	133,968	180,292	118,327
Current tax liabilities	4, 6(25)	107,728	109,007	95,408
Other current liabilities-others		1,618	24,959	21,927
Total current liabilities		663,607	732,933	558,033
Non-current liabilities				
Deferred tax liabilities	4, 6(25)	16,970	17,099	16,873
Other non-current liabilities	6(15)	23,577	24,076	24,131
Total non-current liabilities		40,547	41,175	41,004
Total liabilities		704,154	774,108	599,037
Equity attributable to shareholders of the parent	6(17)			
Capital				
Common stock		658,262	658,092	657,532
Capital surplus	6(17)	836,782	836,374	835,030
Retained earnings	6(17)			
Special reserve		61,299	61,299	61,299
Accumulated profit or loss		1,375,262	1,263,321	1,167,558
Other components of equity		(312,199)	(249,649)	(193,555)
Total equity		2,619,406	2,569,437	2,527,864
Total liabilities and equity		\$3,323,560	\$3,343,545	\$3,126,901

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the three-month periods ended March 31, 2018 and 2017 (Reviewed but unaudited)

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

Description	Notes	For the 3-month periods ended March 31,	
		2018	2017
Operating revenues	4, 6(19), 7	\$1,011,344	\$1,004,521
Operating costs	7	(820,449)	(816,851)
Gross profit		190,895	187,670
Realized (Unrealized) sales profit		(14)	(12)
Gross profit, net		190,881	187,658
Operating expenses			
Sales and marketing		(14,363)	(11,388)
General and administrative	7	(35,529)	(34,714)
Research and development		(10,708)	(8,975)
Operating expenses total		(60,600)	(55,077)
Operating income		130,281	132,581
Non-operating incomes and expenses			
Other incomes	6(22), 7	10,337	12,185
Other gains and losses	6(22)	(3,610)	(17,974)
Finance costs	6(22)	(123)	(125)
Share of profit or loss of associates and joint ventures accounted for under the equity method	6(9)	7,222	7,688
Non-operating incomes and expenses total		13,826	1,774
Income before income tax		144,107	134,355
Income tax expense	4, 6(25)	(32,166)	(34,417)
Net income		111,941	99,938
Other comprehensive income (loss)	6(24)		
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(61,910)	(156,489)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(640)	(2,267)
Total other comprehensive income, net of tax		(62,550)	(158,756)
Total comprehensive income		\$49,391	\$(58,818)
Earnings per share-basic (in NTD)	6(26)	\$1.70	\$1.52
Earnings per share-diluted (in NTD)	6(26)	\$1.69	\$1.51

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the three-month periods ended March 31, 2018 and 2017 (Reviewed but unaudited)

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent							
	Share capital			Retained Earnings		Other Components of equity	Total	Total Equity
	Common Stock	Capital collected in advance	Capital surplus	Special Reserve	Accumulated profit or loss	Exchange Differences on Translation of Foreign Operations		
Balance as of January 1, 2017	\$655,492	\$2,700	\$829,726	\$61,299	\$1,067,620	\$(34,799)	\$2,582,038	\$2,582,038
Net income for the first quarter of 2017					99,938		99,938	99,938
Other comprehensive income(loss) for the first quarter of 2017						(158,756)	(158,756)	(158,756)
Total comprehensive income(loss)	-	-	-	-	99,938	(158,756)	(58,818)	(58,818)
Employee stock option certificates	2,040	(2,700)	5,304				4,644	4,644
Balance as of March 31, 2017	\$657,532	\$-	\$835,030	\$61,299	\$1,167,558	\$(193,555)	\$2,527,864	\$2,527,864
Balance as of January 1, 2018	\$658,092	\$-	\$836,374	\$61,299	\$1,263,321	\$(249,649)	\$2,569,437	\$2,569,437
Net income for the first quarter of 2018					111,941		111,941	111,941
Other comprehensive income(loss) for the first quarter of 2018						(62,550)	(62,550)	(62,550)
Total comprehensive income(loss)	-	-	-	-	111,941	(62,550)	49,391	49,391
Employee stock option certificates	170		408				578	578
Balance as of March 31, 2018	\$658,262	\$-	\$836,782	\$61,299	\$1,375,262	\$(312,199)	\$2,619,406	\$2,619,406

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese
 EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 For the three-month periods ended March 31, 2018 and 2017 (Reviewed but unaudited)
 (Amounts Expressed in Thousands of New Taiwan Dollars)

Items	For the 3-month periods ended March 31, *		Items	For the 3-month periods ended March 31,	
	2018	2017		2018	2017
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$144,107	\$134,355	Acquisition of financial assets measured at amortized cost	(58,766)	-
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:			Disposal of debt instrument investments for which no active market exists	-	132,486
Depreciation	28,779	35,503	Acquisition of property, plant and equipment	(68,165)	(15,088)
Amortization	878	655	Increase (decrease) in refundable deposits	59	(5)
Interest expense	123	125	Acquisition of intangible assets	(5,256)	(971)
Interest income	(4,871)	(6,043)	Net cash provided by (used in) investing activities	(132,128)	116,422
Share of profit or loss of associates and joint ventures	(7,222)	(7,688)	Cash flows from financing activities:		
Unrealized (Realized) sales profit	14	12	Increase in (repayment of) short-term borrowings	(8,663)	(526)
Changes in operating assets and liabilities:			Increase (Decrease) in guarantee deposits	(439)	(1,785)
Notes receivables	8	120	Exercise of employee stock option	578	4,644
Trade receivables	(84,955)	(30,129)	Net cash provided by (used in) financing activities	(8,524)	2,333
Trade receivables-related parties	3,380	6,790	Effect of exchange rate changes	(41,232)	(111,891)
Other receivables	(2,984)	(1,336)	Net increase (decrease) in cash and cash equivalents	(228,341)	65,068
Other receivables-related parties	25	-	Cash and cash equivalents at beginning of period	671,100	841,578
Inventories	(19,974)	32,148	Cash and cash equivalents at end of period	\$442,759	\$906,646
Prepayments	32,140	17,083			
Other current assets	(3,823)	379			
Long-term prepaid rent	(56,647)	-			
Contract liabilities	21,000	-			
Notes payables	(1)	(5)			
Trade payables	(33,341)	(44,393)			
Trade payables-related parties	(1,220)	(5,455)			
Other payables	(44,451)	(53,777)			
Other current liabilities	502	2,755			
Net defined benefit liability	(60)	(2,483)			
Cash generated from (used in) operations	(28,593)	78,616			
Interest received	15,572	16,302			
Interest paid	(151)	(133)			
Income tax paid	(33,285)	(36,581)			
Net cash provided by (used in) operating activities	(46,457)	58,204			

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of March 31, 2018 and 2017 and for the three-month periods then ended

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

Eurocharm Holdings Co., Ltd. (“the Company”) was incorporated in 18 July 2011. The Company’s subsidiaries are engaged in manufacturing and selling motorcycle and auto equipment parts, medical equipment, machine parts, and providing assembling services.

The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in 23 September 2014 and started trading in 25 September 2014. The Company’s registered office is at PO Box472, 2nd Floor, Harbour Place, 103 South Church Street, George Town KY1-1106, Grand Cayman, Cayman Islands. The main business locations are Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, VietNam and No.15, Ln. 315 and Xinshu Rd., Xinzhuang Dist., New Taipei City, Taiwan (R.O.C.)

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2018 and 2017 were authorized for issue by the Board of Directors on May 7, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2018. The nature and the impact of each new standard and amendment that has a material effect on the Group is described below:

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(a) *IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)*

IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations. In accordance with the transition provision in IFRS 15, the Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Please refer to Note 4 for the accounting policies before or after January 1, 2018.

B. Before January 1, 2018, revenue from sale of goods was recognized when goods have been delivered to the buyer. Starting from January 1, 2018, in accordance with IFRS 15, the Group recognized revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group’s revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. With respect to the Group’s trade receivables to be reclassified for contract assets as at the date of initial application, there is no material impact on the consolidated financial statements. However, for some rendering of contracts, part of the consideration was received from customers upon signing the contract, then the Group has the obligation to provide the services subsequently. Before January 1, 2018, the Group recognized the consideration received in advance from customers under other current liabilities. Starting from January 1, 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Group as at the date of initial application was NT\$23,843 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$44,843 thousand and the contract liabilities increased by NT\$44,843 thousand as at March 31, 2018.

C. Please refer to Note 4, Note 5 and Note 6 for additional disclosure note required by IFRS 15.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Group elected not to restate prior periods at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. The Group adopted IFRS 9 since January 1, 2018 and it adopted IAS 39 before January 1, 2018. Please refer to Note 4 for more details on accounting policies.

B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at January 1, 2018. The classifications of financial assets and its carrying amounts as at January 1, 2018 are as follow:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
Fair value through other comprehensive income		Fair value through other comprehensive income	\$11,007
Available-for-sale financial assets (including \$11,007 measured at cost)	\$11,007		
At amortized cost		At amortized cost (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	1,913,728
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables, debt instrument investments for which no active market exists and other receivables)	1,913,728		
Total	<u>\$1,924,735</u>	Total	<u>\$1,924,735</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. The transition from IAS 39 to IFRS 9 as at January 1, 2018, the changes in the classifications of financial assets and financial liabilities are as follow:

IAS 39		IFRS 9			Retained earnings adjusted amounts	Other components of equity adjusted amounts
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference		
Available-for-sale financial assets (including initial investment cost of \$11,007 and show separately as investments measured at cost) (Note 1)	\$11,007	Measured at fair value through other comprehensive income (equity instruments)	\$11,007	\$-	\$-	\$-
Loans and receivables (Note 2)						
Cash and cash equivalents	670,336	Cash and cash equivalents	670,336	-	-	-
Debt instrument investments for which no active market exists	652,958	Financial assets measured at amortized costs	652,958	-	-	-
Notes receivables	8	Notes receivables	8	-	-	-
Trade receivables (including related party)	564,252	Trade receivables (including related party)	564,252	-	-	-
Other receivables (including related party)	26,174	Other receivables (including related party)	26,174	-	-	-
Subtotal	<u>1,913,728</u>					
Total	<u>\$1,924,735</u>	Total	<u>\$1,924,735</u>	<u>\$-</u>	<u>\$-</u>	<u>\$-</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Notes:

- (1) In accordance with IAS 39, available-for-sale financial assets included stocks of unlisted companies. Details are described as follows:

Stocks (including unlisted companies)

The assessment is based on the facts and circumstances that existed as at January 1, 2018, as these equity investments are not held-for-trading, so the Group elected to designate them as financial assets measured at fair value through other comprehensive income. As at January 1, 2018, the Group reclassified available-for-sale financial assets (including those measured at cost) to financial assets measured at fair value through other comprehensive income of NT\$11,007 thousand. Other related adjustments are described as follows:

The stocks of unlisted companies currently measured at cost in accordance with IAS 39 had an original cost of NT\$11,007 thousand. However, in accordance with the requirement of IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was NT\$11,007 thousand as at the date of initial application. The Group will adjust the carrying amount of financial assets measured at fair value through other comprehensive income.

- (2) In accordance with IAS 39, the cash flow characteristics of loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as at January 1, 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at January 1, 2018. Therefore, there is no impact on the carrying amount as at January 1, 2018. As at January 1, 2018, debt instrument investments for which no active market exists of NT\$652,958 thousand were reclassified to financial assets measured at amortized cost.

D. Please refer to Note 4, Note 5, Note 6 and Note 12 for the related disclosures required by IFRS 7 and IFRS 9.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”:

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The interpretation is effective for annual periods beginning on or after January 1, 2018.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

None.

- (3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group’s financial statements are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 16 “Leases”	January 1, 2019
c	IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019
d	IFRS 17 “Insurance Contracts”	January 1, 2021
e	IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28	January 1, 2019
f	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
g	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
h	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(a) *IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*

The amendments address the inconsistency between the requirements in IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full. IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture. The effective date of the amendments has been postponed indefinitely, but early adoption is allowed.

(b) *IFRS 16 “Leases”*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease.

(c) *IFRIC 23 “Uncertainty Over Income Tax Treatments”*

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 “Income Taxes” when there is uncertainty over income tax treatments.

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(d) *IFRS 17 “Insurance Contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (1) estimates of future cash flows;
- (2) discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

(e) *IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28*

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28.

(f) *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

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(g) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall re-measure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not re-measure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(h) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to re-measure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (b), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements of the Group for the three-month periods ended March 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and IAS 34 *Interim Financial Reporting* as endorsed and became effective by the FSC.

Except the following 4(3) ~ 4(9), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For more details, please refer to Note 4 of the Company’s consolidated financial statements for the year ended December 31, 2017.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars (“NT\$”) unless otherwise specified.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company’s consolidated financial statements as those applied in the Company’s consolidated financial statements for the year ended December 31, 2017. For the principles of consolidation, please refer to Note 4(3) of the Company’s consolidated financial statements for the year ended December 31, 2017.

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The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)		
			As of		
			Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Trading activities	100%	100%	100%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Trading activities	100%	100%	100%

(4) Foreign currency transactions

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

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Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 *Financial Instruments* (Before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial instruments: Recognition and Measurement

The accounting policy from January 1, 2018 is as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

The Group classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- A. the Group's business model for managing the financial assets and
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

- A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- A. purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

B. financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain/loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated using effective interest method. This is calculated by applying the effective interest rate to gross carrying amount of a financial asset except:
 - i. Purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
 - ii. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Group applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

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Besides, at initial recognition, the Group make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. Amounts presented in other comprehensive income are not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained earnings) and should recorded as financial assets measured at fair value through other comprehensive income on balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represents a recovery of part of the cost of investment.

Financial asset measured at fair value through profit or loss

Financial assets were measured at amortized cost or measured at fair value through other comprehensive income only if they met particular conditions. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from re-measurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

The accounting policy before January 1, 2018 was as follow:

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated as at fair value through profit or loss. A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment). If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

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Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

(b) Impairment of financial assets

The accounting policy from January 1, 2018 is as follow:

The Group is recognized a loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Group measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money; and
- C. the reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Group measures the loss allowance for a financial asset at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that condition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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At each reporting date, the Group needs to assess whether the credit risk on a financial asset has been increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before January 1, 2018 was as follow:

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i. significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;
or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

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For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss – is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

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(c) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired.
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred.
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

(d) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Financial liabilities

Financial liabilities within the scope of IFRS 9 *Financial Instruments* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

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Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or losses including interest paid are recognized in profit or loss.

Before January 1, 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

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Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

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(6) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – Purchase cost on a first in, first out basis

Finished goods and work in progress – Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Starting from January 1, 2018, rendering of services is accounted in accordance with IFRS 15 but not within the scoping of inventories.

(7) Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

Under the equity method, the investment in the associate or an investment in a joint venture is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate or joint venture. After the interest in the associate or joint venture is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's related interest in the associate or joint venture.

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When changes in the net assets of an associate or a joint venture occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Group's percentage of ownership interests in the associate or joint venture, the Group recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate or joint venture on a pro rata basis.

When the associate or joint venture issues new stock, and the Group's interest in an associate or a joint venture is reduced or increased as the Group fails to acquire shares newly issued in the associate or joint venture proportionately to its original ownership interest, the increase or decrease in the interest in the associate or joint venture is recognized in Additional Paid in Capital and Investment accounted for using the equity method. When the interest in the associate or joint venture is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Group disposes the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 28 *Investments in Associates and Joint Ventures* (before January 1, 2018: IAS 39 *Financial Instruments: Recognition and Measurement*). If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 *Impairment of Assets*. In determining the value in use of the investment, the Group estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

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Because goodwill that forms part of the carrying amount of an investment in an associate or an investment in a joint venture is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 *Impairment of Assets*.

Upon loss of significant influence over the associate or joint venture, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss. Furthermore, if an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not re-measure the retained interest.

(8) Revenue recognition

The accounting policy from January 1, 2018 is as follow:

The Group's revenue arising from contracts with customers are mainly include sale of goods. The accounting policies for the Group's types of revenue are explained as follow:

Sale of goods

Revenue from sale of goods, sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is motorcycle and auto equipment parts, medical equipment and machine parts and the Group's revenue is recognized based on the consideration stated in the contract. The remaining sales transactions are usually accompanied by volume discounts (based on the accumulated total sales amount for a specified period). Therefore, revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The credit period of the Group's sale of goods is from 15 to 90 days. For most of the contracts, when the Group transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The period between the time when the Group transfers the goods to customers and when the customers pay for that goods is usually short and have no significant financing component to the contract. For a small part of the contracts, the Group has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. Besides, in accordance with IFRS 9, the Group measures the loss allowance for a contract asset at an amount equal to the lifetime expected credit losses.

The accounting policy before January 1, 2018 was as follow:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity;
- and
- (e) the costs incurred in respect of the transaction can be measured reliably.

Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

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Dividends

Revenue is recognized when the Group's right to receive the payment is established.

(9) Income taxes

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. Only current income tax expense is using the estimated average annual effective income tax rate while deferred income tax is recognized and measured in consistent with annual financial reporting in accordance with IAS 12, "Income Tax." The impact of tax rate change in interim period, if any, is recognized in earnings, other comprehensive income or directly equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Except the following 5(1), the same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month periods ended March 31, 2018 as those applied in the Company's consolidated financial statements for the year ended December 31, 2017. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2017.

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(a) Estimated impairment of trade receivable

Starting from January 1, 2018:

The Group estimates the impairment loss of trade receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than expected, a material impairment loss may arise. Please refer to Note 6 for more details.

Before January 1, 2018:

The Group considers the estimated future cash flows if there is objective evidence that an impairment loss has been incurred. The loss of impairment is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, which does not include credit loss that has not occurred. The present value of the estimated future cash flow is discounted at the financial assets original effective interest rate. There would be material loss of impairment, when future cash flows are less than the Group expected.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Cash on hand	\$548	\$764	\$624
Checking and saving	229,529	355,851	538,839
Time deposit	212,682	314,485	367,183
Total	\$442,759	\$671,100	\$906,646

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(2) Financial assets measured at amortized cost

	Mar. 31, 2018	As of	
		Dec. 31, 2017 (Note)	Mar. 31, 2017 (Note)
Time deposits	<u>\$711,724</u>		
Current	\$711,724		
Non-current	<u>-</u>		
Total	<u>\$711,724</u>		

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Financial assets measured at amortized cost were not pledged.

(3) Debt instrument investments for which no active market exists

	Mar. 31, 2018 (Note)	As of	
		Dec. 31, 2017	Mar. 31, 2017
Time deposits		<u>\$652,958</u>	<u>\$441,386</u>
Current		\$652,958	\$441,386
Non-current		<u>-</u>	<u>-</u>
Total		<u>\$652,958</u>	<u>\$441,386</u>

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

The Group adopted IAS 39 before January 1, 2018 and classified certain financial assets as debt instrument investments for which no active market exists. The above mentioned debt instrument investments were not pledged.

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(4)Notes receivables

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Notes receivables arising from operating activities	\$-	\$65	\$86
Less: loss allowance	-	(57)	(57)
Total	\$-	\$8	\$29

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on accumulated impairment.

(5)Trade receivables and Trade receivables-related parties

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Trade receivables	\$644,959	\$560,004	\$575,554
Less: loss allowance	(11,014)	(11,239)	(11,484)
Subtotal	633,945	548,765	564,070
Trade receivables from related parties	12,107	15,487	13,728
Less: loss allowance	-	-	-
Subtotal	12,107	15,487	13,728
Total	\$646,052	\$564,252	\$577,798

Trade receivables are generally on 15-90 days terms. The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6 for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements schedule for the provision of impairment against trade receivables and trade receivables-related parties is as follows: (Please refer to Note 12 for more details on credit risk management.)

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	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$-	\$12,273	\$12,273
Charge/(reversal) for the current period	-	-	-
Effect of exchange rate changes	-	(789)	(789)
As of March 31, 2017	\$-	\$11,484	\$11,484

Aging analysis of trade receivables and trade receivables-related parties that are past due at the end of the reporting period but not impaired is as follows:

	Neither past due nor impaired	Past due but not impaired			Total
		Less than 30 days	31~90 days	91~270 days	
Dec. 31, 2017	\$506,142	\$31,810	\$26,300	\$-	\$564,252
Mar. 31, 2017	565,370	5,100	7,328	-	577,798

(6) Inventories

(a) Details of inventories are as below:

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Raw materials and Supplies	\$168,146	\$169,863	\$144,921
Work in progress	200,042	161,669	137,411
Finished goods	59,029	79,492	55,206
Merchandises	9,597	5,816	5,325
Total	\$436,814	\$416,840	\$342,863

(b) The cost of inventories recognized in expenses amounted to NT\$820,449 thousand and NT\$816,851 thousand for the three-month periods ended March 31, 2018 and 2017, respectively.

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The following losses (gains) were included in cost of sale:

	For the three-month period ended March 31,	
	2018	2017
Loss in inventory write-off and obsolescence	\$4,076	\$6,602
Loss from physical	-	2
Total	\$4,076	\$6,604

(c) Inventories were not pledged.

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

	As of	
	Dec. 31, 2017	Mar. 31, 2017
	Mar. 31, 2018	(Note)
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	\$11,007	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

Financial assets at fair value through other comprehensive income were not pledged.

(8) Financial assets carried at cost

	As of	
	Mar. 31, 2018	Mar. 31, 2017
	(Note)	Dec. 31, 2017
Stocks	\$11,007	\$11,007
Current	\$-	\$-
Non-current	11,007	11,007
Total	\$11,007	\$11,007

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Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate period periods in accordance with the transition provision in IFRS 9.

(a)The Group adopted IAS 39 before 1 January 2018. The above investments in the equity instruments of unlisted entities are measured at cost as the fair value of these investments are not reliably measurable due to the fact that the variability in the range of reasonable fair value measurements is significant for that investment and that the probabilities of the various estimates within the range cannot be reasonably assessed and used when measuring fair value.

(b)Financial assets measured at cost were not pledged.

(9)Investments accounted for under the equity method

(a)Details of investments accounted for under the equity method are as below:

Investee companies	As of					
	Mar. 31, 2018		Dec. 31, 2017		Mar. 31, 2017	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in associates:						
Exedy Vietnam Co., Ltd.	\$96,141	20.00%	\$93,500	20.00%	\$89,001	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	26,482	45.00%	24,951	45.00%	34,153	45.00%
Total	<u>\$122,623</u>		<u>\$118,451</u>		<u>\$123,154</u>	

(b)Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. are not individually material. The aggregate carrying amounts of the Group's interests in Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. were NT\$122,623 thousand, NT\$118,451 thousand and NT\$123,154 thousand as of March 31, 2018, December 31, 2017, and March 31, 2017, respectively. The aggregate financial information based on the Group's share of Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. is as follows:

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	For the three-month period ended March 31,	
	2018	2017
Profit or loss from continuing operations	\$7,222	\$7,688
Other comprehensive income (post-tax)	-	-
Total comprehensive income	\$7,222	\$7,688

The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of March 31, 2018, December 31, 2017, and March 31, 2017.

As of March 31, 2018 and 2017, the balances of investments accounted for under the equity method were NT\$122,623 thousand and NT\$123,154 thousand, respectively. For the three-month periods then ended, shares of investment income from these associates and joint ventures amounted to NT\$7,222 thousand and NT\$7,688 thousand, respectively. For the three-month periods then ended, share of other comprehensive income from these associates and joint ventures amounted to NT\$(640) thousand and NT\$(2,267) thousand. These amounts were recognized based on un-reviewed financial statements of the investees.

(c) Investments accounted for under the equity method were not pledged.

(d) The Company's board of directors resolved to acquire 19.90% share interest on Northstar Precision (Vietnam) Company Limited in a meeting held on September 11, 2017. The estimated investment amount is about US\$280,000. As of March 31, 2018, the Group has not remitted the investment amount yet.

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(10)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
As of Jan. 1, 2018	\$52,420	\$174,711	\$1,365,110	\$72,006	\$13,160	\$112,738	\$176,756	\$1,966,901
Additions	-	908	1,111	4,120	780	922	58,479	66,320
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	1,105	-	-	-	(1,105)	-
Exchange differences	-	(4,279)	(36,833)	(1,822)	(273)	(2,750)	(4,454)	(50,411)
As of Mar. 31, 2018	\$52,420	\$171,340	\$1,330,493	\$74,304	\$13,667	\$110,910	\$229,676	\$1,982,810
As of Jan. 1, 2017	\$52,420	\$181,364	\$1,363,976	\$76,807	\$11,674	\$111,774	\$50,486	\$1,848,501
Additions	-	427	11,953	422	-	305	3,382	16,489
Disposals	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Exchange differences	-	(11,355)	(92,541)	(4,964)	(645)	(7,005)	(3,289)	(119,799)
As of Mar. 31, 2017	\$52,420	\$170,436	\$1,283,388	\$72,265	\$11,029	\$105,074	\$50,579	\$1,745,191
Depreciation and impairment:								
As of Jan. 1, 2018	\$-	\$98,122	\$954,206	\$59,679	\$8,933	\$98,025	\$-	\$1,218,965
Depreciation	-	2,613	21,536	1,036	594	3,000	-	28,779
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	(2,341)	(25,180)	(1,509)	(198)	(2,416)	-	(31,644)
As of Mar. 31, 2018	-	\$98,394	\$950,562	\$59,206	\$9,329	\$98,609	\$-	\$1,216,100
As of Jan. 1, 2017	\$-	\$95,773	\$937,354	\$61,102	\$7,735	\$95,496	\$-	\$1,197,460
Depreciation	-	2,578	27,732	1,232	512	3,449	-	35,503
Disposals	-	-	-	-	-	-	-	-
Exchange differences	-	(5,859)	(62,935)	(3,964)	(458)	(6,128)	-	(79,344)
As of Mar. 31, 2017	\$-	\$92,492	\$902,151	\$58,370	\$7,789	\$92,817	\$-	\$1,153,619
Net carrying amount as of:								
Mar. 31, 2018	\$52,420	\$72,946	\$379,931	\$15,098	\$4,338	\$12,301	\$229,676	\$766,710
Dec. 31, 2017	\$52,420	\$76,589	\$410,904	\$12,327	\$4,227	\$14,713	\$176,756	\$747,936
Mar. 31, 2017	\$52,420	\$77,944	\$381,237	\$13,895	\$3,240	\$12,257	\$50,579	\$591,572

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Significant components of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic lives of 50 years and 5 to 20 years. Please refer to Note 8 for more details on property, plant and equipment under pledge.

(11) Intangible assets

	Computer software	Patents	Total
Cost:			
As of Jan. 1, 2018	\$24,279	\$228	\$24,507
Additions-acquired separately	5,256	-	5,256
Deduction	-	-	-
Exchange differences	(600)	-	(600)
As of Mar. 31, 2018	<u>\$28,935</u>	<u>\$228</u>	<u>\$29,163</u>
As of Jan. 1, 2017	\$24,086	\$228	\$24,314
Additions-acquired separately	971	-	971
Deduction	-	-	-
Exchange differences	(1,456)	-	(1,456)
As of Mar. 31, 2017	<u>\$23,601</u>	<u>\$228</u>	<u>\$23,829</u>
Amortization:			
As of Jan. 1, 2018	\$18,936	\$228	\$19,164
Amortization	878	-	878
Deduction	-	-	-
Exchange differences	(467)	-	(467)
As of Mar. 31, 2018	<u>\$19,347</u>	<u>\$228</u>	<u>\$19,575</u>
As of Jan. 1, 2017	\$18,649	\$228	\$18,877
Amortization	655	-	655
Deduction	-	-	-
Exchange differences	(1,125)	-	(1,125)
As of Mar. 31, 2017	<u>\$18,179</u>	<u>\$228</u>	<u>\$18,407</u>
Net carrying amount as of:			
Mar. 31, 2018	<u>\$9,588</u>	<u>\$-</u>	<u>\$9,588</u>
Dec. 31, 2017	<u>\$5,343</u>	<u>\$-</u>	<u>\$5,343</u>
Mar. 31, 2017	<u>\$5,422</u>	<u>\$-</u>	<u>\$5,422</u>

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Amortization of intangible assets is as follows:

	For the three-month period ended Mar. 31,	
	2018	2017
Operating costs	\$1	\$-
Sales and marketing expenses	-	-
General and administrative expenses	810	619
Research and development expenses	67	36
Total	\$878	\$655

(12) Other non-current assets

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Long-term prepaid rent	\$56,647	\$-	\$-
Refundable deposits	341	400	405
Total	\$56,988	\$400	\$405

Long-term prepaid rent include land use right in the amount to NT\$56,647 thousand as of March 31, 2018.

(13) Short-term borrowings

	Interest Rate (%)	As of		
		Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Secured bank loans	0.9%~0.9522%	\$40,000	\$40,000	\$40,000
Unsecured bank loans	1.9%~2.6701%	8,358	17,021	7,544
Total		\$48,358	\$57,021	\$47,544

The Group's unused short-term lines of credits amount to NT\$359,791 thousand, NT\$ 388,430 thousand and NT\$388,224 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

Please refer to Note 8 for more details on property, plant and equipment pledged as security for short-term borrowings.

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(14) Other payables

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Accrued expense	\$132,368	\$176,819	\$116,509
Accrued interest	-	28	-
Payables on equipment	1,600	3,445	1,818
Total	\$133,968	\$180,292	\$118,327

(15) Other non-current liabilities

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Net defined benefit liability	\$12,964	\$13,024	\$13,111
Guarantee deposits received	5,613	6,052	6,020
Other non-current liabilities	5,000	5,000	5,000
Total	\$23,577	\$24,076	\$24,131

(16) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2018 and 2017 were NT\$473 thousand and NT\$490 thousand, respectively.

Defined benefits plan

Expenses under the defined benefits plan for the three-month periods ended March 31, 2018 and 2017 were NT\$150 thousand and NT\$204 thousand, respectively.

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(17)Equities

(a)Common stock

The Company's authorized capital was NT\$900,000 thousand as of March 31, 2018, December 31, 2017 and March 31, 2017, divided into 65,826 thousand shares, 65,809 thousand shares and 65,753 thousand shares, each at a par value of NT\$10, respectively. Total issued stock capital were NT\$658,262 thousand, NT\$658,092 thousand and NT\$657,532 thousand, respectively. Each share has one voting right and a right to receive dividends.

The Company issued employee stock option on September 15, 2012. During the 2016, employees exercised 75 thousand shares in amount of NT\$2,700 thousand, which have been issued for new shares during the first quarter of 2017 and the Group, accordingly, recorded an addition to common stocks transferred from capital receipt in advance.

The Company issued employee stock option on September 15, 2012. During the three-month periods ended March 31, 2018 and 2017, employees exercised 17 thousand shares and 129 thousand shares in amount of NT\$578 thousand and NT\$4,644 thousand, respectively.

(b)Capital surplus

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Additional paid-in capital	\$836,062	\$835,576	\$833,977
Employee stock option	-	78	333
Other	720	720	720
Total	\$836,782	\$836,374	\$835,030

According to the Company Act, capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Retained earnings and dividend policies

(1) Retained earnings and dividend policies

According to the Company's Articles of Incorporation, unless otherwise required by the Statute and the Applicable Public Company Rules, the Company may distribute profits in accordance with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution at any general meeting. The directors shall prepare such proposal as follows:

- i. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings);
- ii. Set aside a special capital reserve or reversal, if one is required, in accordance with the applicable public company rules or as requested by the authorities in charge;
- iii. If there is any profit, it shall be set aside no more than 2% of the balance as compensation to directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as compensation to directors and the compensation to employees, and such resolution shall be reported in the shareholders meeting. A director who also serves as an executive officer of the Company may receive a compensation in his capacity as a director and the compensation in his capacity as an employee;
- iv. Any balance left over may be distributed as dividends in accordance with the statute and the applicable public company rules and after taking into consideration profits of the current year and capital structure of the Company, unless otherwise specifically resolved by the board of directors and the shareholders' meetings, the amount of profits distributed to shareholders shall not be lower than 20% of profits (after tax) of the current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the current year; in the event that the dividends per share distributed in the current year is less than NT\$1, the Company may determine the dividends to be distributed partially or entirely by stock dividends or cash dividends.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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As the Company is in the growing stage, the dividend distribution may take the form of a cash dividend and/or stock dividends and shall take into consideration the Company's capital expenditures, future expansion plans, and financial structure and funds requirement for sustainable development needs etc.

(2) Special reserve

Following the adoption of TIFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the TIFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

(3) The appropriations of earnings for the Year 2017 and 2016 were approved through the Board of Directors' meeting and Shareholders' meeting held on March 23, 2018 and June 15, 2017, respectively. The details of the distributions are as follows:

	<u>Appropriation of earnings</u>		<u>Dividend per share (in NT\$)</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Common stock - cash dividend	<u>\$263,305</u>	<u>\$263,012</u>	\$4	\$4

Please refer to Note 6(21) for further details on employees' compensation and remuneration to directors and supervisors.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(18) Share-based payment plans

Certain employees of the Group are entitled to share-based payment as part of their remunerations; services are provided by the employees in return for the equity instruments granted. These plans are accounted for as equity-settled share-based payment transactions.

Share-based payment plan for employees of the parent entity

On September 15, 2012, the Company was authorized to issue employee share options with a total number of 2,000,000 units. Each unit entitles an options to subscribe for one share of the Company's common shares. The exercise price of the option was NT\$40. The options may exercise the options in accordance with certain schedules as prescribed by the plan starting 2 years from the grant date. Settlement upon the exercise of the options will be made through the issuance of new shares by the Company.

The fair value of share options is estimated at the grant date using a binomial option pricing-model, taking into account the terms and conditions upon which the share options were granted.

The contractual term of each option granted is six years. There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these employee share options.

The relevant details of the aforementioned share-based payment plan are as follows:

Date of grant	Total number of share options granted	Exercise price of share options (NT\$)
2012.09.15	2,000,000	\$34

(a) The following table lists the inputs to the model used for the plan granted during the year ended December 31, 2012:

	For the year ended Dec. 31, 2012
Dividend yield (%)	5%
Expected volatility (%)	39.63%
Risk-free interest rate (%)	0.8987%
Expected option life (Years)	6 years
Weighted average share price (\$)	\$40
Option pricing model	Black-Scholes

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The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

(b) The following table contains further details on the aforementioned share-based payment plan:

	For the three-month period ended Mar. 31,			
	2018		2017	
	Number of share options outstanding	Weighted average exercise price of share options (NT\$)	Number of share options outstanding	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	17,000	\$34	202,000	\$36
Granted	-	-	-	-
Exercised	(17,000)	\$34 (Note1)	(129,000)	36 (Note2)
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	-	\$-	73,000	\$36
Exercisable at end of period	-		73,000	

Note 1: The weighted average share price at the date of exercise of these option was NT\$80.85.

Note 2: The weighted average share price at the date of exercise of these option was NT\$80.86.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(c) The information on the outstanding share options as of March 31, 2018 and 2017 is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As of Mar. 31, 2018 share options outstanding at the end of the period	\$34	0.5 years
As of Mar. 31, 2017 share options outstanding at the end of the period	\$36	1.50 years

(d) The expense recognized for employee services received during the three-month periods ended March 31, 2018 and 2017, is shown in the following table:

	For the three-month period ended Mar. 31,	
	2018	2017
Total expense arising from equity-settled share-based payment transactions	\$-	\$-

(19) Operating revenue

	For the three-month period ended Mar. 31,	
	2018	2017
Revenue of customer contract		
Sale of goods	\$1,011,308	\$1,004,477
Revenue arising from rendering of services	36	44
Total	\$1,011,344	\$1,004,521

Note: The Group has adopted IFRS 15 from January 1, 2018. The Group elected to apply the standard retrospectively by recognizing the cumulative effect of initially applying the standard at the date of initial application (January 1, 2018).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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The Group has adopted IFRS 15 from January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

(1) Disaggregation of revenue

	<u>Single Segment</u>
Sale of goods	\$1,011,308
Revenue arising from rendering of services	36
Total	<u>\$1,011,344</u>
The timing of revenue recognition:	
At a point in time	<u>\$1,011,344</u>

(2) Contract balances - current

Contract liabilities

	<u>As of</u>		
	<u>Mar. 31, 2018</u>	<u>Dec. 31, 2017</u>	<u>Difference</u>
Sales of goods	\$23,843	\$44,843	\$21,000

(20) Expected credit losses/ (gains)

	<u>For the three-month period ended Mar. 31,</u>	
	<u>2018</u>	<u>2017 (Note)</u>
Operating expenses – Expected credit losses/(gains)		
Trade receivables	\$-	

Note: The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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The Group measures the loss allowance of its trade receivables (including notes receivables and trade receivables) at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2018 is as follow:

(a)the Group needs to consider the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details as follow:

	Neither past due nor impaired	Past due			Total
		Less than 30 days	31~90 days	91~270 days	
Gross carrying amount	\$613,892	\$10,586	\$28,240	\$4,348	\$657,066
Loss ratio	-%	-%	24%	100%	
Lifetime expected credit losses	-	-	(6,666)	(4,348)	(11,014)
Carrying amount of trade receivables	\$613,892	\$10,586	\$21,574	\$-	\$646,052

(b)The movement in the provision for impairment of notes receivables and trade receivables during the period is as follows:

	Notes receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	\$57	\$11,239
Beginning adjusted retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	57	11,239
Addition/(reversal) for the current period	-	-
Reclassification	(57)	57
Exchange rate impact	-	(282)
Ending balance	\$-	\$11,014

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(21) Summary statement of employee benefits, depreciation and amortization by function during the three-month periods ended March 31, 2018 and 2017:

	For the three-month period ended March 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$169,141	\$30,684	\$199,825	\$157,337	\$29,230	\$186,567
Labor and health insurance	710	605	1,315	449	845	1,294
Pension	281	342	623	212	482	694
Other employee benefits expense	2,128	1,135	3,263	1,764	584	2,348
Depreciation	28,008	771	28,779	34,497	1,006	35,503
Amortization	1	877	878	-	655	655

For the three-month periods ended March 31, 2018, the Company recorded the compensations to employees and to directors and supervisors in amount of NT\$7,982 thousand and NT\$2,838 thousand, respectively. While, employees' compensation and remuneration to directors and supervisors for the three-month periods ended March 31, 2017 amounted of NT\$4,285 thousand and NT\$2,857 thousand, respectively. The aforementioned employees' compensation and remuneration were estimated based on post-tax net income of the period and recognized as salary expenses.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$18,865 thousand and NT\$10,300 thousand, respectively, in a meeting held on March 23, 2018. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2017.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT\$18,100 thousand and NT\$10,300 thousand, respectively, in a meeting held on March 16, 2017. No material differences exist between the estimated amount and the actual distribution of the employee compensation and remuneration to directors and supervisors for the year ended December 31, 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(22) Non-operating income and expenses

(a) Other income

	For the three-month period ended March 31,	
	2018	2017
Interest income	\$4,871	\$6,043
Rental income	4,459	4,785
Others	1,007	1,357
Total	<u>\$10,337</u>	<u>\$12,185</u>

(b) Other gains and losses

	For the three-month period ended March 31,	
	2018	2017
Foreign exchange losses, net	\$(2,730)	\$(17,224)
Others	(880)	(750)
Total	<u>\$(3,610)</u>	<u>\$(17,974)</u>

(c) Finance costs

	For the three-month period ended March 31,	
	2018	2017
Interest on borrowings from bank	<u>\$123</u>	<u>\$125</u>

(23) Operating leases

(a) Operating lease commitments – Group as lessee

The Group has entered into commercial leases on certain plant. These leases have average lives between one and two years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

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Future minimum rentals payable under non-cancellable operating leases as of March 31, 2018, December 31, 2017 and March 31, 2017, are as follows:

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Not later than one year	\$1,920	\$1,941	\$1,936
More than one year but less than five years	1,520	2,000	-
Total	\$3,440	\$3,941	\$1,936

Operating lease expenses recognized are as follows:

	For the three-month period ended March 31,	
	2018	2017
Minimum lease payment	\$482	\$581

(b) Operating lease commitments – Group as lessor

The Group has entered into commercial property leases with remaining terms of one year or 1~2 years without the right to renew. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals receivable under non-cancellable operating leases as of March 31, 2018, December 31, 2017 and March 31, 2017 are as follows:

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Not later than one year	\$11,291	\$15,450	\$11,857

The Group recognized rent income in amount of NT\$4,459 thousand and NT\$4,785 thousand for the three-month periods ended March 31, 2018 and 2017, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(24) Components of other comprehensive income

	For the three-month period ended March 31, 2018				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$(61,910)	\$-	\$(61,910)	\$-	\$(61,910)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(640)	-	(640)	-	(640)
Total of other comprehensive income	\$(62,550)	\$-	\$(62,550)	\$-	\$(62,550)

	For the three-month period ended March 31, 2017				
	Arising during the period	Reclassification adjustments during the period	Subtotal	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	\$(156,489)	\$-	\$(156,489)	\$-	\$(156,489)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(2,267)	-	(2,267)	-	(2,267)
Total of other comprehensive income	\$(158,756)	\$-	\$(158,756)	\$-	\$(158,756)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

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(25) Income tax

(a) Based on an amendment to the Income Tax Act announced on February 7, 2018, the applicable corporate income tax rate for the year ended December 31, 2018 for the Group's subsidiary– Eurocharm Innovation Co., Ltd. has changed from 17% to 20%. The surtax rate on undistributed earnings has also changed from 10% to 5%.

(b) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	<u>For the three-month period ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Current income tax expense (income):		
Current income tax charge	\$32,832	\$36,743
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	(662)	(2,326)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(4)	-
Total income tax expense	<u>\$32,166</u>	<u>\$34,417</u>

(c) The assessment of income tax returns

As of March 31, 2018, the assessment status of income tax returns of the Company and subsidiaries were as follows:

	<u>The assessment of income tax returns</u>
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2014
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2014

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(26) Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity after dilution by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the three-month period ended Mar. 31,	
	2018	2017
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$111,941	\$99,938
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,813	65,716
Basic earnings per share (NT\$)	\$1.70	\$1.52
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$111,941	\$99,938
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,813	65,716
Effect of dilution:		
Employee bonus – stock (in thousands)	289	230
Employee stock options (in thousands)	-	42
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,102	65,988
Diluted earnings per share (NT\$)	\$1.69	\$1.51

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7. RELATED PARTY TRANSACTIONS

(1) Deal with related parties as of the end of the reporting period

Related parties and relation

Related parties	Relationship
Exedy Vietnam Co., Ltd.	Associate
Hsieh Yuan Technology Vietnam Co., Ltd.	Associate
Vietnam Precision Industrial Joint Stock Company	Other related party
Shen Yuan Metal Co., Ltd.	Other related party
Taiwan Techno State Co., Ltd.	Other related party

(2) Significant transactions with related parties

(a) Sales

	For the three-month period ended March 31,	
	2018	2017
Associates	\$30,913	\$37,588

The sales prices for related parties were not comparable. Terms of collection for related parties shall be the same for those applied to general clients. Receivables shall be finalized on a monthly basis and shall be collected within 15 to 90 days after accounts have been finalized.

(b) Purchases

	For the three-month period ended March 31,	
	2018	2017
Associates	\$8,652	\$15,532
Other related parties	712	960
Total	\$9,364	\$16,492

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The purchasing prices to related parties were not comparable. Terms of payment to related parties shall be the same for those applied to general suppliers. Payables shall be finalized on a monthly basis and shall be paid within 30 to 90 days after monthly closing.

(c) For the three-month periods ended March 31, 2018 and 2017, the Group were charged by associates for processing and therefore recognized processing expense in amount of NT\$11,703 thousand and NT\$9,245 thousand, respectively.

(d) For the three-month periods ended March 31, 2018 and 2017, the Group charged associates for processing and therefore recognized processing income in amount of NT\$36 thousand and NT\$44 thousand, respectively, which were recorded under the caption of operating revenues.

(e) For the three-month periods ended March 31, 2018 and 2017, the Group charged other related parties for provided services and recognized service revenue in amount of NT\$309 thousand and NT\$0, respectively, which were recorded under non-operating income and expenses-other income.

(f) Trade receivables from related parties

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Associates	\$12,107	\$15,487	\$13,728

(g) Other receivables - related parties

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Other related parties	\$88	\$113	\$-

(h) Trade payables to related parties

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Associates	\$6,928	\$7,898	\$6,993
Other related parties	246	496	398
Total	\$7,174	\$8,394	\$7,391

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(i) Lease transactions with related parties

<u>Lessor</u>	<u>Lease</u>	<u>Duration</u>	<u>Rental expense</u>	<u>Payments</u>
<u>For the three-month period ended March 31, 2018</u>				
Other related party	No.10, Ln. 315, Xinshu Rd., Xinzhuang Dist.	Jan. 16, 2018~ Jan. 15, 2020	<u>\$480</u>	monthly paid by cash

For the three-month period ended March 31, 2017

Other related party	No.10, Ln. 315, Xinshu Rd., Xinzhuang Dist.	Jan. 16, 2016~ Jan. 15, 2018	<u>\$480</u>	monthly paid by cash
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The Group recognized above amounts under manufacturing expense and operating expenses.

<u>Lessee</u>	<u>Lease</u>	<u>Duration</u>	<u>Rental income</u>
<u>For the three-month period ended March 31, 2018</u>			
Associate	Property and plant	Jan. 1, 2018~ Dec. 31, 2018	\$2,575
Associate	Property and plant	Jan. 1, 2018~ Dec. 31, 2018	<u>1,884</u>
Total			<u>\$4,459</u>

For the three-month period ended March 31, 2017

Associate	Property and plant	Jan. 1, 2017~ Dec. 31, 2017	\$2,743
Associate	Property and plant	Jan. 1, 2017~ Dec. 31, 2017	<u>2,042</u>
Total			<u>\$4,785</u>

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(j) Salaries and rewards to key management of the Group

	For the three-month period ended March 31,	
	2018	2017
Short-term employee benefits	\$4,854	\$4,917
Post-employment benefits	85	85
Share-based payment	716	716
Total	\$5,655	\$5,718

8. PLEGDED ASSETS

The following table lists assets of the Group pledged as collaterals:

Item	Carrying Amount As of			Secured liabilities
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017	
Property, plant and equipment – land	\$52,420	\$52,420	\$52,420	Short-term borrowings
Property, plant and equipment – buildings	560	582	649	Short-term borrowings
Total	\$52,980	\$53,002	\$53,069	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of March 31, 2018, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows (foreign currencies: in thousands):

The nature of the contract	Contract amount	Amount paid	Outstanding balance
Construction contracts	VND153,000,000	VND133,300,000	VND19,700,000

Amount paid were recorded under the construction in progress and equipment awaiting examination of property, plant and equipment.

10. SIGNIFICANT DISASTER LOSS

None.

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11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Financial instruments

Categories of financial instruments

Financial assets

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Financial assets at fair value through other comprehensive income	\$11,007	(Note1)	(Note 1)
Available-for-sale financial assets (Note 2)	(Note1)	\$11,007	\$11,007
Financial assets measured at amortized cost (Note 3)	1,817,974	(Note1)	(Note 1)
Loans and receivables(Note 4)	(Note1)	1,913,728	1,941,475
Total	<u>\$1,828,981</u>	<u>\$1,924,735</u>	<u>\$1,952,482</u>

Financial liabilities

	As of		
	Mar. 31, 2018	Dec. 31, 2017	Mar. 31, 2017
Financial liabilities at amortized cost:			
Short-term borrowings	\$48,358	\$57,021	\$47,544
Trade payables	461,060	541,946	393,154
Total	<u>\$509,418</u>	<u>\$598,967</u>	<u>\$440,698</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note:

1. The Group adopted IFRS 9 since January 1, 2018. The Group elected not to restate prior periods in accordance with the transition provision in IFRS 9.
2. Balances as of December 31, 2017 and March 31, 2017 including financial assets measured at cost.
3. Including cash and cash equivalents (exclude cash on hand), financial assets measured at amortized cost, notes receivable, trade receivables and other receivables.
4. Including cash and cash equivalents (exclude cash on hand), notes receivable, trade receivables, debt instrument investments for which no active market exists and other receivables.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variable; there are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency USD. The information of the sensitivity analyses is as follows:

When NTD is strengthened/weakened against foreign currency USD by 1%, the profit for the three-month periods ended March 31, 2018 and 2017 decreased/increased by NT\$5,721 thousand and NT\$7,651 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the three-month periods ended March 31, 2018 and 2017 to increase/decrease by NT\$221 thousand and NT\$531 thousand, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Equity price risk

The fair value of the Group's unlisted equity securities to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under available-for-sale financial assets. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(8) for sensitivity analysis information of other equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc.

As of March 31, 2018, December 31, 2017 and March 31, 2017, trade receivables from top ten customers represent 84.07%, 86.70% and 88.95% of the total trade receivables of the Group, respectively. The credit concentration risk of other accounts receivable are relatively not significant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as at the end of the reporting period.

Non-derivative financial instruments

	<u>Less than 1 year</u>
<u>As of March 31, 2018</u>	
Short-term borrowings	\$48,437
Trade and other payables	461,060
<u>As of December 31, 2017</u>	
Short-term borrowings	\$57,164
Trade and other payables	541,946
<u>As of March 31, 2017</u>	
Short-term borrowings	\$47,583
Trade and other payables	393,154

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities as of March 31, 2018:

	Short-term borrowings	Guarantee deposits received	Employee stock option	Total liabilities from financing activities
As of Jan. 1, 2018	\$57,021	\$6,052	\$-	\$63,073
Cash flows	(8,228)	(439)	578	(8,089)
Effect of exchange rate changes	(435)	-	-	(435)
As of Mar. 31, 2018	<u>\$48,358</u>	<u>\$5,613</u>	<u>\$578</u>	<u>\$54,549</u>

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reconciliation of liabilities as of March 31, 2017:

Not applicable.

(7) Fair values of financial instruments

(a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, trade receivables, trade payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.).

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(8) for fair value measurement hierarchy for financial instruments of the Group.

(8) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All asset and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

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

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(b) Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. As of December 31, 2017 and March 31, 2017, the Group did not have financial assets that are measured at fair value. As of March 31, 2018, fair value measurement hierarchy of the Group's assets measured at fair value on a recurring basis is as follows:

As of March 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	\$-	\$-	\$11,007	\$11,007

Reconciliation for fair value measurements in Level 3 of the fair value hierarchy

During the three-month period ended March 31, 2018, there was no movement of fair value measurements.

(9) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of					
	Mar. 31, 2018			Dec. 31, 2017		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$21,681	29.3034	\$635,336	\$20,814	29.96	\$623,670
VND	\$875,183,599	0.001297	\$1,135,114	\$905,192,761	0.001331	\$1,204,813
<u>Investments accounted for using the equity method</u>						
VND	\$94,065,880	0.001331	\$125,202	\$89,027,429	0.001331	\$118,496

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Financial liabilities

Monetary items:

USD	<u>\$1,955</u>	29.417	<u>\$57,512</u>	<u>\$1,871</u>	30.210	<u>\$56,525</u>
VND	<u>\$212,395,953</u>	0.001297	<u>\$275,478</u>	<u>\$237,213,727</u>	0.001331	<u>\$315,731</u>

As of

Mar. 31, 2017

	<u>Foreign currencies</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>			
Monetary items:			
USD	<u>\$26,262</u>	30.68	<u>\$805,756</u>
VND	<u>\$774,811,424</u>	0.001362	<u>\$1,055,293</u>

Investments accounted for using the equity method

VND	<u>\$90,475,652</u>	0.001362	<u>\$123,228</u>
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Financial liabilities

Monetary items:

USD	<u>\$1,071</u>	30.86	<u>\$33,048</u>
VND	<u>\$185,153,369</u>	0.001382	<u>\$255,936</u>

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

The Group's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange losses were NT\$(2,730) thousand and NT\$(17,224) thousand for the three-month periods ended March 31, 2018 and 2017, respectively.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(10)Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13.OTHER DISCLOSURES

(1)Information at significant transactions:

(a)Financing provided to others: None.

(b)Endorsement/Guarantee provided to others: Please refer to Attachment 1.

(c)Marketable securities held as of March 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): None.

(d)Individual securities acquired or disposed of with accumulated amount of at least NT\$ 300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

(e)Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

(f)Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

(g)Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

(h)Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2018: None.

(i)Derivative instrument transactions: None.

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(REVIEWED BUT UNAUDITED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(j) Intercompany relationships and significant intercompany transactions for the three-month period ended March 31, 2018: Please refer to Attachment 4.

(2) Information on investees:

(a) Investees over whom the Company exercises significant influence or control (excluding investees in Mainland China): Please refer to attachment 2.

(b) Investees over which the Company exercises control shall be disclosed of information under Note 13(1):

i. Financing provided to others: None.

ii. Endorsement/Guarantee provided to others: None.

iii. Marketable securities held as of March 31, 2018 (excluding investments in subsidiaries, associates and joint ventures): Please refer to Attachment 3.

iv. Individual securities acquired or disposed of with accumulated amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

v. Acquisition of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

vi. Disposal of individual real estate with amount of at least NT\$300 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

vii. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2018: None.

viii. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2018: None.

ix. Derivative instrument transactions: None.

(3) Information on investments in Mainland China: None.

14. OPERATING SEGMENT

The major operating revenues of the Group come from manufacturing and sales of motorcycle and auto equipment parts, medical equipment and machine parts. The chief operating decision maker reviewed the overall operating results to make decision about resources to be allocated to and evaluated the overall performance. Therefore, the Group was aggregated into a single segment.

ATTACHMENT 1(Endorsement/Guarantee provided to others for the three-month period ended March 31, 2018)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No. (Note 1)	Endorser/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period		Actual amount provided	Amount of collateral for guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/endorsement amount	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relationship		Ending balance								
0	Eurocharm Holdings Co., Ltd.	Apex Precision Industrial Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	\$29,230 (USD 1,000)	\$-	\$-	\$-	-%	Limit of total guaranteed/endorsed amount assets value as of Mar. 31, 2018 \$1,309,703.	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	\$30,000	\$30,000	\$-	\$-	1.15%	Limit of total guaranteed/endorsed amount assets value as of Mar. 31, 2018 \$1,309,703.	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	\$175,380 (USD 6,000)	\$174,720 (USD 6,000) (Note 2)	\$8,252	\$-	6.67%	Limit of total guaranteed/endorsed amount assets value as of Mar. 31, 2018 \$1,309,703.	Y	N	N

Note 1: Eurocharm Holdings Co., Ltd. is coded "0".

Note 2: Foreign currency were exchanged by exchange rate as at balance sheet date.

ATTACHMENT 2 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee) (Excluding investment in Mainland China)

(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Investor Company	Investee Company	Address	Main businesses and products	Original Investment Amount		Investments as of March 31, 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				As of Mar. 31, 2018	As of Dec. 31, 2017	Number of shares	Percentage of ownership (%)	Book Value			
Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	British Virgin Islands	Investment holding	\$615,652	\$615,652	19,000,000	100.00%	\$2,726,441 (Note 4)	\$124,539	\$124,539 (Note 4)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Taiwan	Manufacturing and sales of motor parts and medical equipment	61,425	61,425	5,850,000	100.00%	102,101 (Note 4)	(2,644)	(4,338) (Note 1) (Note 4)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and medical equipment	USD 8,700	USD 8,700	-	100.00%	2,480,254 (Note 4)	126,195	126,195 (Note 4)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Samoa	Trading activities	USD 2,000	USD 2,000	2,000,000	100.00%	80,065 (Note 4)	4,672	1,196 (Note 2) (Note 4)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Samoa	Trading activities	USD 900	USD 900	900,000	100.00%	26,263 (Note 4)	(56)	(431) (Note 3) (Note 4)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Hsieh Yuan Technology Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts and surface plating	USD 562	USD 562	-	45.00%	26,482	4,825	2,171	Investment accounted for using the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Exedy Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	VND 13,212,264	VND 13,212,264	-	20.00%	96,141	25,255	5,051	Investment accounted for using the equity method

Note 1: Including investment loss recognized under equity method amounted to NT\$2,644 thousand, realized profit on transaction between subsidiaries amounted to NT\$13,694 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$15,388 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT\$4,672 thousand, realized profit on transaction between subsidiaries amounted to NT\$44,063 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$47,539 thousand.

Note 3: Including investment loss recognized under equity method amounted to NT\$56 thousand and unrealized profit on transaction between subsidiaries amounted to NT\$375 thousand.

Note 4: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 3 (Securities held as of March 31, 2018) (Excluding subsidiaries, associates and joint ventures)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company	Investee Company	Relationship	Financial statement account	Investments as of March 31, 2018				Note	Shares as collateral
				Number of shares	Book Value	Percentage of ownership (%)	Fair Value		
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial Joint Stock Company	-	Financial assets measured at fair value through other comprehensive income	-	<u>\$11,007</u>	6.91%	<u>\$11,007</u>	-	None

ATTACHMENT 4(Intercompany relationships and significant intercompany transactiontime)

(All the currencies are denominated in Thousands of New Taiwan Dollars)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No (Note1)	Company name	Counter party	Nature of relationship (Note 2)	Intercompany transactions			
				Financial Statement Account	Amount	Terms	Percentage of consolidated total gross sales or total assets (Note3)
	<u>2018.01.01~2018.03.31</u>						
0	Eurocharm Holdings Co., Ltd.	Apex Precision Industrial Ltd.	1	Other receivables	\$1,305	30 days after monthly closing	0.04%
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	1	Other payables	1,305	30 days after monthly closing	0.04%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	60,443	60~90 days after monthly closing	5.98%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	32,049	60~90 days after monthly closing	0.96%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	27	-	-%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	49,719	60~90 days after monthly closing	4.92%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	35,887	60~90 days after monthly closing	1.08%
3	Optimal Victory Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	3,454	60~90 days after monthly closing	0.34%
3	Optimal Victory Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	3,454	60~90 days after monthly closing	0.10%
	<u>2017.01.01~2017.03.31</u>						
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	\$33,262	60~90 days after monthly closing	3.31%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	7,396	60~90 days after monthly closing	0.24%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	24	-	-%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	16,740	60~90 days after monthly closing	1.67%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	13,074	60~90 days after monthly closing	0.42%

Note 1: Eurocharm Holdings Co., Ltd. and subsidiaries are coded as follows:

1. Eurocharm Holdings Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows :

1. Investor to investee.
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.