Annual Report 2018

EUROCHARM

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Taiwan Stock Exchange Market Observation System http://mops.twse.com.tw

This annual report is available at http://www.eurocharm.com.tw

Annual Report | info@eurocharm.com.tw | www.eurocharm.com.tw 3

Introduction

Spokesperson & Deputy Spokesperson

James Chan

| Spokesperson |

Vice President, Administration and Finance

+886-2-22208-0151

IR@eurocharm.com.tw

Hung-Yi Kao

| Deputy Spokesperson |

Financial Manager

+886-2-2208-0151

IR@eurocharm.com.tw

Headquarters & Subsidiaries

Eurocharm Holdings Co., Ltd.

| Corporate Headquarters |

No.15 Lane 315 Xinshu Rd. Xinzhuang District

New Taipei, Taiwan 242

+886-2-2208-0151

Eurocharm Innovation Co., Ltd.

| Subsidiary |

No.15 Lane 315 Xinshu Rd. Xinzhuang District

New Taipei, Taiwan 242

+886-2-2202-8393

Vietnam Precision Industrial No.1 Co., Ltd.

| Subsidiary |

Khai Quang Industrial Zone

Vinh Yen, Vinh Phuc, Vietnam

+84-211-3842-897

Stock Transfer Agent

Yuanta Securities

| Share Transfer Agency |

B1 No.210 Sec.3 Chengde Rd.

Taipei, Taiwan 103

+886-2-2586-5859

Accountant Constacts for the Latest Annual Financial Report

Wells Cheng & Peter Huang

| Ernst & Young L.L.P. |

No. 333, Section 1, Keelung Rd. XinyiDistrict, Taipei, Taiwan 110

www.ey.com/home

+886-2-2757-8888

Overseas Securities Exchange Name and Query Method

Not Applicable

Corporate Website

www.eurocharm.com.tw

Board of Directors

Steven Yu

| Chairman |

Nationality: Republic of China

EMBA - National Taiwan University

MechanicalEngineering-Lunghwa University of Sciencve and Technology

Michael Yu

| Director |

Nationality: Republic of China

Business Management - National Chung Hsing University

Business Management - National Taipei University of Business

Antonio Yu

| Director |

Nationality: Republic of China

IndustrialEngineering-Universityof Wisconsin-Madison

Bioengineering - National Taiwan University

Steven Chang

| Director |

Nationality: Republic of China

PhD in Business and Management - Shanghai Jiao Tong University

MBA - National University of Governance

Business Management - National Chung Hsing University

Wei-Min Lin

| Independent Director |

Nationality: Republic of China

PhD in Finance and Economics - Jinan University

Lin Wei Min CPA Firm

Bryan Peng

| Independent Director |

Nationality: Republic of China

EMBA - Jiao Tong University

AccountingandInternationalTrade-Fu Jen Catholic University

VP-Finance, EZconn Corp.

Gen-Yu Fong

| Independent Director |

Nationality: Republic of China

PhD in Law, Cornell University

ProfessorofLaw,NationalUniversity of Governance

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Table of
Content

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// Philosophy

Founded in 1974, we have over 3,500 employees focusing on delivering superior quality to our customers with the company philosophy ***Challenging Excellence to Benefit Society***

// What We Do

We are a leading metalworking supplier with expertise in automotive components, motorcycle parts, and medical equipment. With over 40 years of experience serving industry's leading giants, we focus on delivering the best result.

We manufacture
so you can focus on the design

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I. Letter to Shareholders

"In 2019, Eurocharm Group will continue to invest in better equipment and carry out new orders.

Chairman Speach

A year of significant progress

Allow me to take this opportunity to welcome you to our 2019 Annual Shareholders Meeting and express my deepest gratitude for your continued support. The following is the outcome of our operations in 2018 and the objectives for the upcoming years.

Operating Results

The total consolidated revenue for 2018 was NT$ 4,614,198 thousand, and the consolidated operating margin was NT$ 807,639 thousand. The total net profit after tax was NT$ 549,798 thousand, in which vested consolidated net profit after tax to the shareholders of the parent company was NT$ 549,798 thousand. The basic earnings per share after-tax merger were NT$ 8.35.

Net Assets and Liabilities

For the year ended December 31, 2018, the total consolidated assets amounted NT$4,216,335 thousand. The total consolidated liabilities was NT$1,329,730 thousand which accounted for the merger total consolidated assets of 31.54%. The total consolidated shareholders' equity was NT$2,886,605 thousand which marked 68.46% of the total consolidated assets.

Profitability Analysis

The basic earnings per share after tax was NT$ 8.35. The net profit was 11.92%. The rate of return on assets was 14.63%, and the return on equity was 20.15%.

Future Development and Strategies

1. Expansion of Capacity

To cope with the customers' significant growth in the business of motorbikes, automobiles and recreational vehicles in the future, the Company will continue to invest in the capital expenditures of equipment and plant investment in line with customer demand. In addition, the Company will carry on with the expansion of tooling factory by acquiring new processing equipment, upgrading the production of tooling, inspection and fixture and accelerating the time for product development. Accelerating the establishment of automated production and reducing the operational risks brought by the growth of salary in Vietnam.

Also, the Company will carry on with the expansion of the tooling factory by acquiring new processing equipment, upgrading the production of tooling, inspection and fixture and accelerating the time for product development. Accelerating the establishment of automated production and reducing the operational risks brought by the growth of salary in Vietnam.

2. Growth in Medical Products

Eurocharm group continues to expand its cooperation with manufacturers of medical care in Europe, America, Japan and other parts of the world. The proportion of medical product revenue this year, not only the steady increase in current customers but also looking forward to adding new customers.

3. Development of Electric Scooters and Recreational Vehicles

Towards the end of 2018, the Company had begun the mass production of two electric scooters. With the solid foundation of motorcycle chassis production, Eurocharm group continues to develop the customer base in electric scooters. In terms of the aspect of recreational vehicles, the Company has been actively seeking and acquiring business opportunities with companies in North America and Europe. Based on the steady increase in order volume, the Company expects the production will multiply in the upcoming years.

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4. Development of Automobile Parts

In response to the business opportunities of the auto parts by the Association of Southeast Asian Nations (ASEAN), the Company is actively engaged in developing new customers; as well as, strengthening the relationship with the existing automobile customers. The Company expects the result to reflect on the profit growth in the future.

Looking back at 2018, Vietnam's overall economy has gradually recovered. Consumers' willingness to purchase has significantly risen compared to the previous period which contributed substantially to the overall revenue in 2018. In terms of recreational vehicles, both new and existing customers continue to request new models and parts for mass production. This has led to an increase of 58.72% in sales growth in the field of recreational vehicles.

Entering 2019, Eurocharm group will continue to refine our management and technology of production process to reduce customer risk. Along with the mission of providing the highest quality and manufacturing capacity, our teams determine to obtain more purchase orders for another record-breaking year. The Company would like to take this opportunity to thank you for your long-term support and belief in us. The Company upholds the business philosophy of challenging for continuous improvement and cherishing every working opportunity. One step at a time, Eurocharm group will raise the profits and competitiveness to achieve beyond the public's expectations.

Sincerely yours,

Chairman
Steven Yu

GeneralManager
Steven Yu

ChiefAccountant
James Zhan

Total Consolidated Revenue

NT$ 4,614,198 thousand

Consolidated Operating Margin

NT$ 807,639 thousand

Total Net Profit After Tax

NT$ 549,798 thousand

Basic Earings Per Share After Tax

NT$ 8.35

Net Profit

11.92%

Rate of Return on Assets

14.63%

Return on Equity

20.15%

II Company Profile

2.1 Company and Group

Eurocharm Innovation

was originally founded in Taiwan in 1974, and was one of the leading manufacturers in the motorcycle industry during the fast-growing years. Eurocharm Innovation now serves as a subsidiary in Taiwan, principally engaged in the manufacturing of medical equipment and motorcycle parts.

In 2001, Vietnam Precision Industrial No.1 Co., Ltd., or **VPIC1** for short, was established near Hanoi, Vietnam to supply metal fabrication parts to several reputable companies.

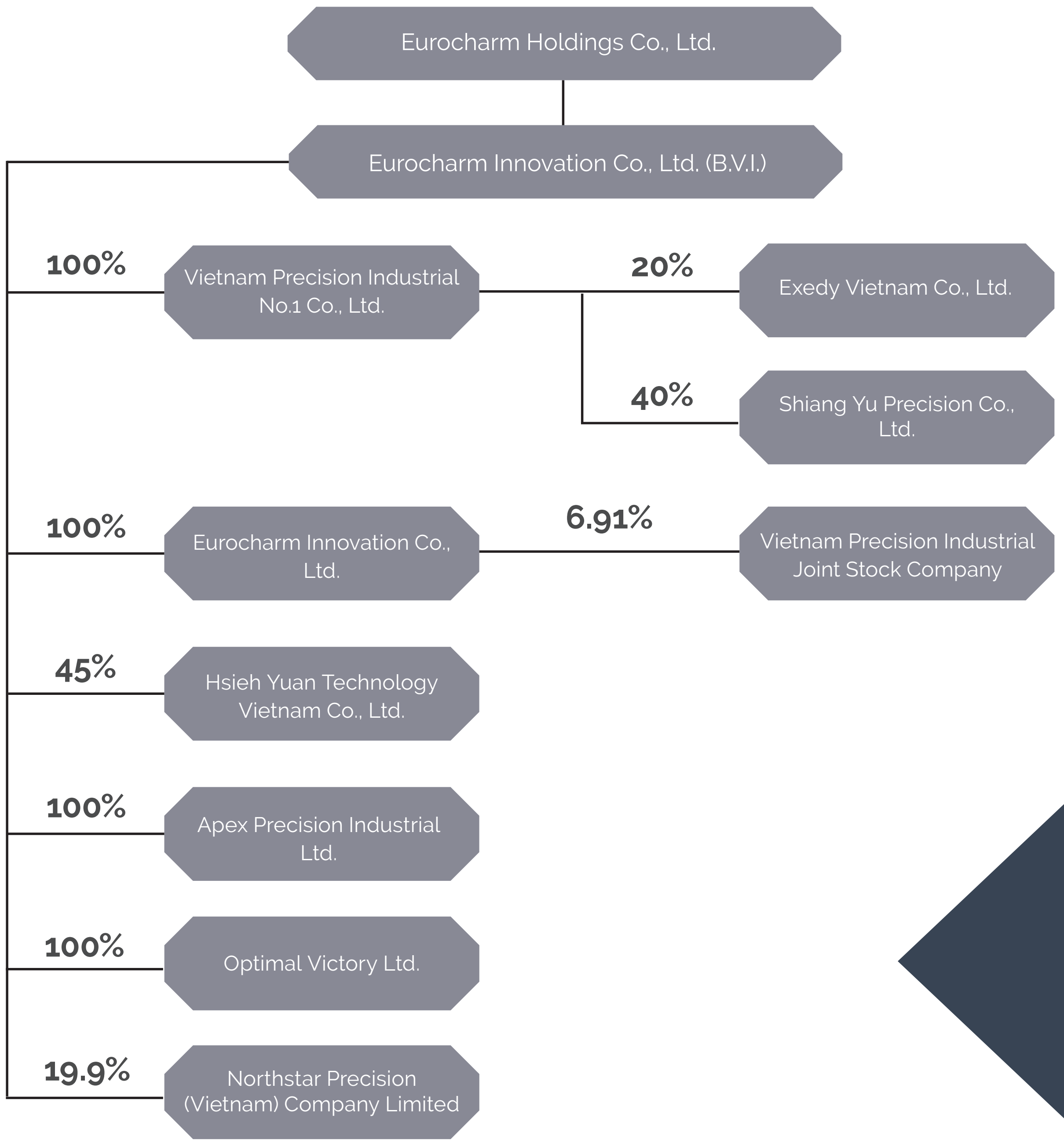
VPIC1 has since obtained several ISO certificates over the years, and employees approximately 3,500 staffs and managers at the moment.

Eurocharm Holdings

was established in the Cayman Islands on July 18th, 2011. The Company went on to acquire Eurocharm Innovation Co., Ltd (B.V.I.) and its subsidiaries Eurocharm Innovation and VPIC1.

After the reconstruction of equity, Eurocharm Group is then utilising three operating bases in the British Virgin Islands, Taiwan and Vietnam.

Thus far, the revenue of the core business has been from manufacturing auto and motorcycle parts, medical equipment and hardware machine components.



2.2 COMPANY HISTORY

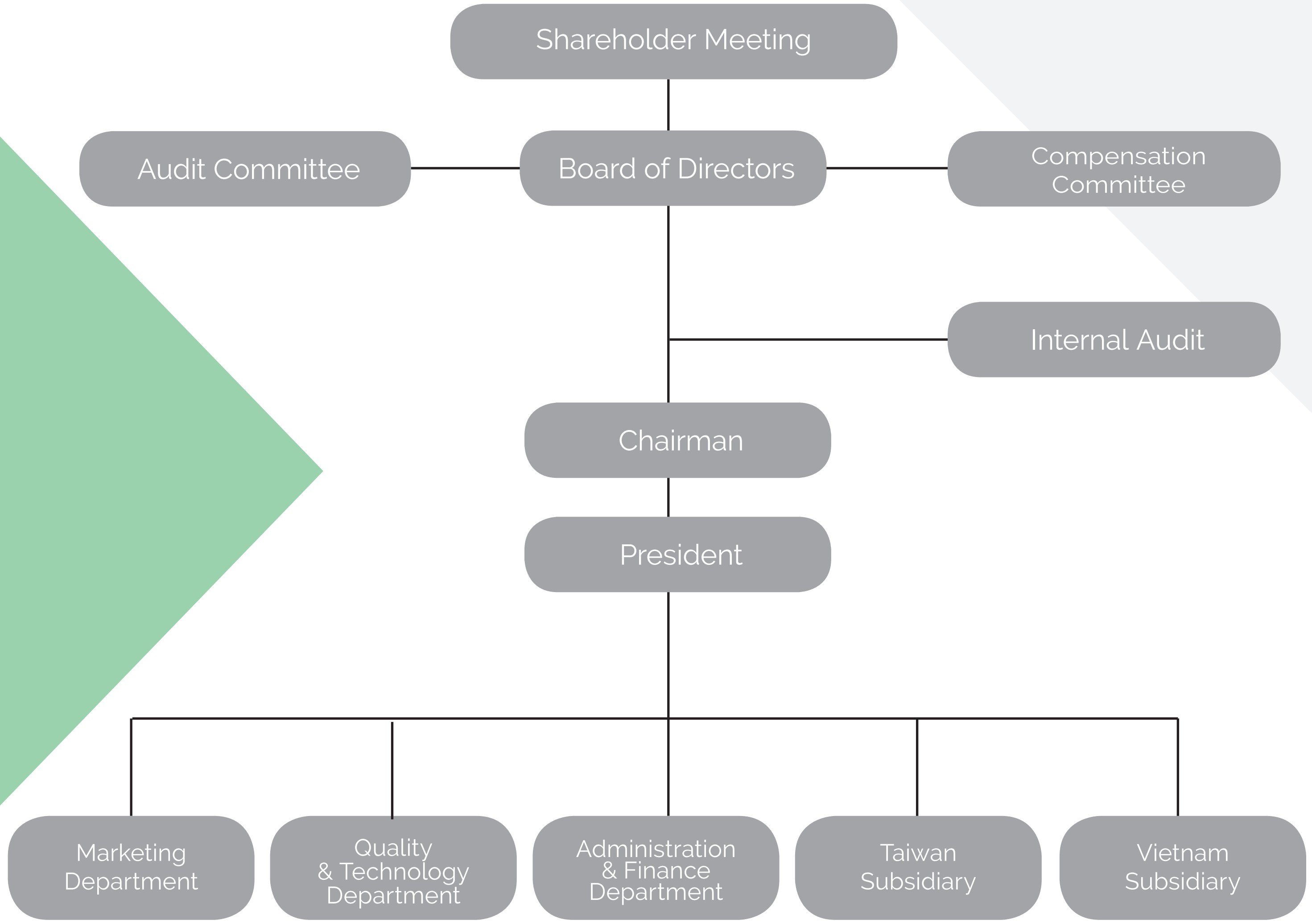
Year	Milestone
2018	Jointed venture with Yuan Yu to establish Shiang Yu Precision Co., Ltd.
2018	Acquired 155,000 square meters of land use rights in Baishan II Industrial Zone
2017	Construction Completion of the 5th Factory in Vietnam
2017	Established Optimal Victory Ltd.
2015	Installed TRUMPF TruLaser Tube
	Passed the OHSAS18001 certification
	Established Apex Precision Industrial Ltd.
2014	Installed a Mitsubishi 3D laser cutting machine
	Awarded with Ford Q1 Preferred Quality Award
	Publicly listed in Taiwan Stock Exchange (TWSE) on September 25
2013	Introduced liquid painting production line
	Re-elected the 7 directors including 3 independent directors. Set up the Audit and Remuneration Committees. The share capital of Eurocharm Holdings Co., Ltd. was converted from US$17,473,537 with the ratio of 1: 3.2548746 into denomination of NT shares per share on October 25, 2013 at the provisional shareholders' meeting. After the conversion, the Company's capital was NT$568,741,530, each denomination was NT$10, 56,874,153 in total
2012	After a capital increase of US$473,537, the Company's share capital was US$17,473,537, US$1 per share, 17,473,537 shares in total
2011	Restructured the organization of the group to establish Eurocharm Holdings Co., Ltd. Eurocharm Holdings Co., Ltd. issued a US$17,000,000 stake in acquiring the shares of Eurocharm Innovation Co., Ltd. 100% owned by New General Ltd. and Seashore Group Ltd.
2010	Jointed venture to establish Hsieh Yuan Technology Vietnam Co, Ltd. which specializes in zinc, nickel, chromium and hard chrome plating
	Passed the ISO13485 certification
2009	Introduced hydraulic stamping production line up to 1,200 tons
2007	Passed the ISO/TS16949 and ISO14001 certification
2006	Jointed venture with EXEDY Japan to establish EXEDY Vietnam, main products are motorcycle clutches
2004	Stationed epoxy-based e-coating production line
2003	Launched aluminum die-casting, CNC machining and passed the ISO9001 certification
2002	Installed stamping, tube bending, robotic welding, as well as, liquid and powder coating production lines
2001	Established Vietnam Precision Industrial No.1 Co., Ltd. (VPIC1)
1994	Began the production of walkers and rollators
1988	Initiated the production of healthcare equipment parts and products
1983	Introduced and utilized an automated welding robot production line
1974	Established Eurocharm Taiwan as a professional manufacturer of motorcycle parts

2.3 Risk Disclosure

Please see page 89 for details.

III Corporate Governance Report

3.1 Organization



3.1.1 Departments

[Chairman]

Provides leadership and develops an business plan for Company's effectiveness

[Audit Committee]

Oversees the financial reporting and the implementation of the business

[Compensation Committee]

Conducts reviews of the directors and managers' performance and evaluates the Company's overall compensation structure

[President]

Executes the organization's vision and oversees the management

[Internal Audit]

Assesses the business' regulations and compliance then provides guidance to managers and staffs

[Administration & Finance Department]

Manages the overall human resource-related administrative work, accounting, budgets and maintenance of the work environment

[Marketing Department]

Drives sales of the products globally and collects market and consumer analysis

[Quality & Technology Department]

Develops new designs and reviews quality control of the products

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3.2 Directors, Supervisors and Management Team

3.2.1 Chairman, Directors and Supervisors

04/16/2018
Unit: Thousand Shares

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two agrees of kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director (Corporate Shareholder)	Samoa	New General Limited		06/23/2016	3	07/18/2011	13,833	21.30	13,833	21.01	0	0.00	0	0.00	N/A	N/A	-	-	-
Chairman(Legal Representative)	R.O.C.	Steven Yu	Male	06/23/2016	3	07/18/2011	0	0.00	0	0.00	0	0.00	0	0.00	EMBA-National Taiwan University Mechanical Engineering-Lunghwa University of Science and Technology	Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Holdings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, Optimal Victory Ltd. Director, New Outlook Ltd. Director, Partner Plus Director, Apex Precision Industrial Ltd.	Director Director	Michael Yu Antonio Yu	Brother Brother
Director (Corporate Shareholder)	Samoa	Seashore Group Limited		06/23/2016	3	07/18/2011	24,769	38.15	24,769	37.63	0	0.00	0	0.00	N/A	N/A	-	-	-
Director (Legal Representative)	R.O.C.	MichaelYu	Male	06/23/2016	3	07/18/2011	70	0.11	117	0.18	0	0.00	0	0.00	Business Management-NationalChung HsingUniversity Business Management-National Taipei University of Business	Dorector, Eurocharm Innovation Co., Ltd. Supervisor, Shen Yuan Metal Co., Ltd. Director, Song Fong Development Co., Ltd. Supervisor, Taiwan Techno State Co., Ltd. Director, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, Shiang Yu Precision Co., Ltd. Director, New Outlook Ltd. Director, Hsieh Yuan Technology Vietnam Co., Ltd. Director, Partner Plus	Director Director	Steven Yu Antonio Yu	Brother Brother
Director (Legal Representative)	R.O.C.	Antonio Yu	Male	06/23/2016	3	07/18/2011	35	0.05	116	0.18	0	0.00	0	0.00	Industrial Engineering-Universityy of Wisconsin-Madison Bioengineering-NationalTaiwan University	Director, Eurocharm Innovation Co., Ltd. Director, Song Fong Development Co., Ltd. Chairman, Taiwan Techno State Co., Ltd. Director, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, New Outlook Ltd. Director, Partner Plus Director, Northstar Precision (Vietnam) Co., Ltd.	Director Director	Steven Yu Michael Yu	Brother Brother
Director(Natural Person)	R.O.C.	Steven Chang	Male	06/23/2016	3	06/19/2013	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Business and Management-Shanghai Jiao TongUniversity MBA-National University of Governance Business Management-NationalChung HsingUniversity	Chairman and Founder, The CID Group Vice President, Taiflex Scientific Co., Ltd. Director, Huawei International Investment Co., Ltd. Chairman, Huawei Group Co., Ltd. Chairman, LandMark Optoelectronics Corp. Vice Chairman, Taiwan Venture Capital Association Director, B Current Impact Investment Co., Ltd. Chairman, i-Motion Group Co., Ltd. Director, Epoch Foundation	-	-	-
Independent Director(Natural Person)	R.O.C.	Wei-Min Lin	Male	06/23/2016	3	06/19/2013	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Finance andEconomics-JinanUniversity LinWeiMinCPA Firm	Certified Accountant, Lin Wei Min CPA Firm Director, Surplus Technology Co., Ltd.	-	-	-
Independent Director(Natural Person)	R.O.C.	Bryan Peng	Male	06/23/2016	3	06/19/2013	0	0.00	0	0.00	1	0.00	0	0.00	EMBA-JiaoTong University Accountingand International Trade-Fu Jen Catholic University VP-Finance, EZconn Corp. Financial Assistant Manager/ Spokesman, Megic Corporation Accounting Deputy Manager/ Project Manager, TI-Acer Inc.	Supervisor,,Entire Technology (Shenzhen) Co., Ltd. Director, Cheng Zhen Co., Ltd. Executive Vice President, YingHua Technology Co., Ltd.	-	-	-
Independent Director(Natural Person)	R.O.C.	Gen-Yu Fong	Male	06/23/2016	3	06/19/2013	0	0.00	0	0.00	0	0.00	0	0.00	PhD in Law, Cornell University Professor of Law, National University of Governance	Independent Director, Elitegroup Computer System Co., Ltd. Independent Director, OBI Pharma Inc. Independent Director, Chien Kuo Construction Co., Ltd.	-	-	-

Note 1: Cases of directors or supervisors practice shareholding by nominee arrangement: None
Note2:Casesofemployeddirectorsorsupervisorsworkedinanaccountingfirmoritsaffiliates:None

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Annual Report 2018

3.2.2 Major Shareholders of the Institutional Shareholders

04/02/2019

Name of Institutional Shareholders	Major Shareholders
New General Limited	Steven Yu (6.53%), Bi-Yue Yang (6.53%), Michael Yu (6.53%), Shun-Wei Yeh (6.53%), Antonio Yu (6.53%), Yun-Ru Chen (6.53%), Crystal Innovation Ltd. (18.08%), Po-Kai Yu (10.98%), Ya-Han Yu (10.98%), Ya-Ting Yu (9.98%), Ya-Chu Yu (9.98%)
Seashore Group Limited	Steven Yu (9.56%), Bi-Yue Yang (9.56%), Michael Yu (9.56%), Shun-Wei Yeh (9.56%), Antonio Yu (9.70%), Yun-Ru Chen (9.70%), Crystal Innovation Ltd. (11.12%), Po-Kai Yu (7.94%), Ya-Han Yu (7.94%), Ya-Ting Yu (6.94%), Ya-Chu Yu (6.94%)

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

04/02/2019

Name of Institutional Shareholders	Major Shareholders
Crystal Innovation Ltd.	Antonio Yu (4.18%), Yun-Ru Chen (4.18%), Tzu Hsien Yu (31.98%), Ya Yuan Yu (29.83%), Fu Chen Yu (29.83%)

3.2.4 Professional Qualifications and Independence Analysis of Directors and Supervisor

	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College,Collegeor University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examinationand been Awarded a Certificate in a Profession Necessaryforthe Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessaryforthe Business of the Company	1	2	3	4	5	6	7	8	9	10	
New General Limited Representative: Steven Yu			v						v	v		v		0
Seashore Group Limited Representative: Michael Yu			v						v	v		v		0
Seashore Group Limited Representative: Antonio Yu			v						v	v		v		0
Steven Chang			v	v	v	v	v	v	v	v	v	v	v	0
Wei-Min Lin		v	v	v	v	v	v	v	v	v	v	v	v	0
Bryan Peng			v	v	v	v	v	v	v	v	v	v	v	0
Gen-Yu Fong	v		v	v	v	v	v	v	v	v	v	v	v	3

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years before being elected or during the term of office.

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

2.Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.

3.Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.

4.Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.

5.Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.

6.Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.

7.Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers under Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEx."

8.Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.

9.Not being a person of any conditions defined in Article 30 of the Company Law.

10.Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

MANAGEMENT TEAM 3.2.5

04/02/2019 (Book Closure Date) ; Unit: Share

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse&Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	R.O.C.	Steven Yu	Male	12/20/2016	0	0.00	0	0.00	0	0.00	EMBA-National Taiwan University Mechanical Engineering-Lunghwa University of Science and Technology	Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Supervisor, Song Fong Development Co., Ltd. Director, Taiwan Techno State Co., Ltd. Chairman, Eurocharm Holdings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman, Vietnam Precision Industrial No.1 Co., Ltd. Director, New General Ltd. Director, Seashore Group Ltd. Director, Optimal Victory Ltd. Director, New Outlook Ltd. Director, Partner Plus Director, Apex Precision Industrial Ltd.	-	-	-
Deputy General Manager-Taiwan Office	R.O.C.	Robert Lin	Male	11/10/2014	0	0.00	0	0.00	0	0.00	National Kaohsiung University Associate Manager, Production, Eurocharm Innovation Co., Ltd.	Deputy General Manager, Eurocharm Innovation Co., Ltd.	-	-	-
Deputy General Manager -Vietnam Office	R.O.C.	Andy Wu	Male	12/20/2016	115,225	0.18	0	0.00	0	0.00	Lee-Ming Institute of Technology Automation Management, Tatting Company	General Manager, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deputy General Manager	R.O.C.	James Zhan	Male	09/23/2013	80,000	0.12	0	0.00	0	0.00	Business Management-National Taipei University of Business Associate Manager, Eurocharm Innovation Co., Ltd.	Manager, Administration, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deputy General Manager	R.O.C.	Cina-Jin Zhan	Male	09/23/2013	148,298	0.23	0	0.00	0	0.00	Kai Ming Technical and Commercial Vocational School Manager, Bank SinoPac Shanghai	Manager, Quality & Technology, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deupty General Manager	R.O.C.	Cheng-Wen Wang	Male	12/20/2016	28,015	0.04	0	0.00	0	0.00	Deputy General Manager, Production Line, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-	-

Note 1: Cases of employed managers worked in an accounting firm or its affiliates: None

3.3 Remuneration of the Chairman, Directors, Managers and Associate Managers

3.3.1 Remuneration of Directors (Including Independent Directors)

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		The Company	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman (Legal Representative)	Steven Yu (Note 1)	2,288	2,288	-	-	3,300	3,300	-	-	1.02	1.02	-	1,150	-	-	-	-	-	-	1.02	1.23	N/A
Director (Legal Representative)	Michael Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.27	0.27	1,440	2,541	-	-	1,120	-	1,120	-	0.74	0.94	N/A
Director (Legal Representative)w	Antonio Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.27	0.27	1,440	2,423	-	-	1,092	-	1,092	-	0.73	0.91	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Wei-Min Lin	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Bryan Peng	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Independent Director	Gen-YuFong	-	-	-	-	1,000	1,000	120	120	0.20	0.20	-	-	-	-	-	-	-	-	0.20	0.20	N/A
Total		2,288	2,288	-	-	10,300	10,300	480	480	2.36	2.36	2,880	6,114	-	-	2,212	-	2,212	-	3.30	3.88	-

Note 1: Steven Yu is the legal representative of New General Limited; Michael Yu and Antonio Yu are the legal representatives of Seashore Group Limited.

Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Companies in the consolidatedfinancial statements	The Company	Companies in the consolidatedfinancial statements
Under NT$ 2,000,000	Michael Yu, Antonio Yu, Steven Chang, Wei-Min Lin, Bryan Peng, Gen-Yu Fong	MichaelYu,AntonioYu, StevenChang,Wei-Min Lin, Bryan Peng, Gen-Yu Fong	StevenChang,Wei-MinLin,BryanPeng, Gen-Yu Fong	StevenChang,Wei-Min Lin, Bryan Peng, Gen-Yu Fong
NT$2,000,001 ~ NT$5,000,000	-	-	MichaelYu,Antonio Yu	-
NT$5,000,001 ~ NT$10,000,000	Steven Yu	Steven Yu	Steven Yu	Steven Yu, Michael Yu, Antonio Yu
Total	7	7	7	7

3.3.2 Remuneration of Supervisors

N/A, no supervisors at the Company.

3.3.3 Remuneration of the General Manager and the Deputy General Managers

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratiooftotalcompensation (A+B+C+D) to net income (%)		Compensation paid to the PresidentandVicePresident from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in theconsolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager[1]	Steven Yu	-	9,376	-	341	-	701	4,884	-	4,884	-	0.89	2.78	N/A
DeputyGeneralManager	Robert Lin													
DeputyGeneralManager	James Zhan													
DeputyGeneralManager	Andy Wu													
DeputyGeneralManager	Cina-Jin Zhan													
DeputyGeneralManager	Cheng-Wen Wang													

Note 1: Steven Yu is appointed as the General Manager concurrently (Unpaid).

Range of Remuneration	Name of President and Vice President	
	The Company	Companiesintheconsolidated financial statements
Under NT$ 2,000,000	Steven Yu, James Zhan, Andy Wu, Cina-Jin Zhan, Cheng-Wen Wang, Robert Lin	Steven Yu, Robert Lin
NT$2,000,001~NT$5,000,000		James Zhan, Andy Wu, Cina-Jin Zhan, Cheng-Wen Wang
Total	6	6

3.3.4 REMUNERATION OF THE EXECUTIVE OFFICERS

12/31/2018 Unit: NT$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Executive Assistant	Michael Yu	0	7,096	7,096	1.29
	Executive Assistant	Antonio Yu				
	Deputy General Manager	Robert Lin				
	Deputy General Manager	James Zhan				
	Deputy General Manager	Andy Wu				
	Deputy General Manager	Cina-Jin Zhan				
	Deputy General Manager	Cheng-Wen Wang				

3.3.5 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Title	2017				2018			
	Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paidtodirectors,supervisors, presidentsandvicepresidents to net profit (%)		Total remuneration paid to directors, supervisors, presidentsandvicepresidents (thousands)		Ratio of total remuneration paidtodirectors,supervisors, presidentsandvicepresidents to net profit (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors General Manager, Deputy General Managers	21,989	35,682	4.78	7.76	22,564	36,696	4.10	6.67

Note 1: The net profits in 2018 and 2017 referred to the after-tax net profits in the financial reports.

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The compensation to directors and other key management personnel were determined by the Remuneration Committee of the Company by the individual performance and their contribution to the Company. According to the Article 34.1 of the Articles of Association, the remuneration of the directors of the current year shall not exceed 2% of the year's profit.

The emoluments of the general manager and the deputy general manager are based on the “Remuneration Management Policy” and the contribution of the position to the company's operating goals and the market trends. The relevant performance appraisal and salary rationality of the managers are reviewed by the Compensation Committee and the Board of Directors. The remuneration system is reviewed at any time depending on the actual business conditions and relevant laws.

3.4 Implementation of Corporate Governance

3.4.1 BOARD OF DIRECTOR'S

A total of 5 (A) meetings of the Board of Directors were held in the the most recent year (2018). The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	New General Limited Representative: Steven Yu	5	0	100	Elected on 06/23/2016
Director	Seashore Group Ltd. Representative: Michael Yu	5	0	100	Elected on 06/23/2016
Director	Seashore Group Ltd. Representative: Antonio Yu	5	1	80	Elected on 06/23/2016
Director	Steven Chang	5	2	60	Elected on 06/23/2016
Independent director	Bryan Peng	5	0	100	Elected on 06/23/2016
Independent director	Wei-Min Lin	5	0	100	Elected on 06/23/2016
Independent director	Gen-Yu Fong	5	0	100	Elected on 06/23/2016

Other mentionable items:

1. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified:

(a) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Date	Session	Content	Opinions and Suggestions
03/23/2018	11th; 3rd Session	- Company's endorsement guarantee for affiliated companies	Unanimous consent
05/07/2018	12th; 3rd Session	- Company's endorsement guarantee for affiliated companies - Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd. as a subsidiary company of the Company - Acquisition of land use rights of Vietnam Precision Industrial No. 1 Co., Ltd. as a subsidiary company of the Company	
08/02/2018	13th; 3rd Session	- Company's endorsement guarantee for affiliated companies	
11/08/2018	14th; 3rd Session	- Company's endorsement guarantee for affiliated companies	
12/21/2018	15th; 3rd Session	- Appointed Ernst & Young Certified Public - Accountants as an Independent Accountant for the Company's 2018 Financial Statement - Company's endorsement guarantee for affiliated companies	

(b) Other matters involving objections or expressed reservations by independent directors that were recorded or stated in writing that requires a resolution by the board of directors.

2. If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Measures taken to strengthen the functionality of the board:

(a) The Board of Directors has established an Audit Committee and a Remuneration Committee on the 21st day of June 2013 to assist the board in carrying out its various duties. The members are all independent directors.

(b) To implement the spirit of corporate governance and effectively improve the degree of transparency of information, the Company fully disclosed various operating and financial information in the annual report, the company website and the MOPS.

(c) To implement the corporate governance and investor protection, the company has insured all directors and managers in 2017 for the directors' liability insurance.

4. The attendance of the independent directors in 2018:

V: In Person D: Delegate to attend X: Not Present

2018	1st	2nd	3rd	4th	5th
Bryan Peng	V	V	V	V	V
Wei-Min Lin	V	V	V	V	V
Gen-Yu Fong	V	V	V	V	V

3.4.2 AUDIT COMMITTEE

A total of 5 (A) Audit Committee meetings were held in the most recent year. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	5	0	100	Elected on 06/29/2016
Committee Member	Gen-Yu Fong	5	0	100	Elected on 06/29/2016
Committee Member	Bryan Peng	5	0	100	Elected on 06/29/2016

Other mentionable items:

1. If any of the following circumstances occur, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified:

(1) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Date	Session	Content	Opinions and Suggestions
03/23/2018	10th; 2th Session	- Proposed approval of 2017 annual business report and consolidated financial statement of the company - Self-inspection results report of the 2017 internal control system and discussion of the internal control system statement - Company's endorsement guarantee for affiliated companies	Unanimous consent
05/07/2018	11th; 2th Session	- Company's endorsement guarantee for affiliated companies - Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary company of the Company - Acquisition of land use rights of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary company of the Company	
08/02/2018	12th; 2th Session	- Company's endorsement guarantee for affiliated companies	
11/08/2018	13th; 2th Session	- Company's endorsement guarantee for affiliated companies	
12/21/2018	14th; 2th Session	- Appointed E&Y Certified Public Accountants as an independent Accountant for Company's 2019 Financial Statement - Company endorsement guarantee for affliated companies	

(2) Other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the material items, methods and results of audits of corporate finance or operations, etc.)

(1) The independent directors and CPAs conduct at least two annual regular meetings at the audit committee meeting. The CPAs reported to the independent directors on the audit of the Company and its subsidiaries at home and abroad, and communicated whether there were major adjustments. The communication was in good standing.

(2)The internal audit supervisor reported to the independent directors on the internal audit execution and internal control operations of the Company at each audit committee meeting. The communication and operation are in good standing.

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies"?	V		The Company has established the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies." The information has been disclosed on the Company's website.	None
2. Shareholding structure & shareholders' rights (1) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes, and litigations, and implement based on the procedure? (2) Does the Company possess the list of its principal shareholders as well as the ultimate owners of those shares? (3) Does the Company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the Company establish internal rules against insiders trading with undisclosed information?	V		(1) In addition to the existing hotline and email channels, the Company has established an internal operating procedure and has designated appropriate departments, such as Investor Relations, Public Relations, Legal Department, to handle shareholders' suggestions, doubts, disputes, and litigation. (2) The Finance & Shared Services Division is responsible for collecting the updated information of major shareholders and the list of ultimate owners of those shares. (3) Rules are made to strictly regulate the activities of trading, endorsement, and loans between the Company and its affiliates. Also, the "Criteria of Internal Control Mechanism for a Public Company," outlined by the Financial Supervisory Commission when drafting the guidelines for the "Supervision and Governance of Subsidiaries," was followed to implement total risk control on subsidiaries. (4) To protect shareholders' rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on the undisclosed information. The Company has also strongly advocated these rules to prevent any violations.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge, and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. Status of board members' diversification implementation	None

Board Member	M/F	Operational judgment	Accounting and financial analysis	Management	Crisis management	Industry know-how	International market outlook	Leadership	Decision-making
Steven Yu	M	V		V	V	V	V	V	V
Michael Yu	M	V	V	V	V	V	V	V	V
Antonio Yu	M	V		V	V	V	V	V	V
Steven Chang	M		V	V	V		V	V	V
Wei-Min Lin	M		V	V	V		V	V	V
Bryan Peng	M		V	V	V		V	V	V
Gen-Yu Fong	M			V	V		V	V	V

Evaluation Item	Yes	No	Abstract Illustration	Deviations
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	V		(2) In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These working committees shall be responsibilities for the Board of Directors. (3) The Company has formulated rules and procedures for evaluating the Board's performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board. The results of the most recent (2018) board performance evaluation are as follows: The Company commissioned Ernst & Young for performance evaluation of the 2018 external board of directors. Through the comprehensive evaluation, the Company's overall performance in the board structure, members and processes and information is advanced. Ernst & Young also provided advice on fufrther improvement. The Company will reference this assessment for strengthening the functions of the board of directors. (4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
4. Does the company set up a corporate governance unit or appoint personnel responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, handling work related to meetings of the board of directors and the shareholders' meetings, filing company registration and changes to company registration, and producing minutes of board meetings and shareholders' meetings)?	V		The Company has set up part-time personnel in the General Administration and Finance Department and the board secretary office to take charge of corporate governance-related matters. These include providing information required for the directors to execute business, handling issues related to meetings of the board of directors, the audit committee, the remuneration committee and the shareholders' meeting, and preparing the minutes, etc. The 2018 business development is as follows and reported to the first board of directors in 2019: (1) According to the "Self-evaluation Policy for Board of Directors' Performance," the Company's overall performance in 2017 was good. (2) The independent directors, accountants, and supervisors of auditors and auditors conduct regular meetings at the audit committee meeting at least twice a year. The details of the meetings can be found on the Company's website: http://www.eurocharm.com.tw (3) The Company regularly publishes the company's operating results on the Company's website and holds briefing sessions for legal entities at home and abroad to allow investors to understand the company's finances.	None
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for regarding corporate social responsibilities?	V		The Company provides detailed contact information, including telephone numbers and email addresses in the "Stakeholder Area" section of the corporate websit. Also, personnel is in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company. The Company is committed to respecting the interests of interested parties; therefore, classifies the stakeholders into the following four categories for communication and management: (1) Shareholders Concerns: Future Growth Potential/Dividend Policy/ Profitability/Economic Performance/Information Transparency Communication channels and response methods: I. Annual shareholder meeting II. Regular domestic and overseas legal person briefings are held to allow investors to understand the financial affairs of the Company III. Regularly announces the Company's operating results on the Company's website, and publishes the Chinese and English financial reports and annual reports for investors' reference	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			IV. Disclose immediate major announcements simultaneously on the Taiwan's MOPS (Market Observation Post Sytem) website V. The Company's website provides contact information including email and phone number for establishing a smooth communication between the shareholders and the Company. VI. Long-term stable dividend policy provides appropriate investment compensation. (2) Employees Concerns: Labour Relations/Discrimination/ Occupational Health and Safety/Diversification and Equal Opportunities Communication channels and response methods: I. The Company attaches great importance to the rights and interests of employees, adopts a positive attitude and communicates with employees, regularly holds labor-management conferences, and signs group agreements with trade unions. It also sets up accessible channels (Opinion drop-off box and email communication) for employees to respond directly to the company's top management. II. Organizes safety and health education and training for newly recruited personnel. Special operations supervisors are engaged in health and safety education, fire safety training, etc. General workers are provided with in-service health and safety traning. In addition to the regular training, the Company plans and arranges employees to participate in professional training courses based on job functions for enhancing professional knowledge. III. Provides regular employee health checkups and for special operations supervisors, specific medical examinations are conducted.	
			(3) Clients Concerns: Product Quality and Reliability / Product Legal Compliance / Process Technology / Customer Service Communication channels and response methods: I. Provides high-quality products with market competitiveness II. Establishes long-term relationships with clients III. Regularly meetings are held for a smooth communication channel IV. Client satisfaction monitoring	

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(4) Suppliers Concerns: Supplier Management/Environmental Protection, Safety and Health Management/ Environmental Aspects Ordinance/Anti-Corruption Communication channels and response methods: I. Participates in supplier management meetings II. Regularly reviews supplier quality, delivery and sustainability III. Conducts supplier evaluation management IV. Requires suppliers to abide by the Company's honesty policy	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	v		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	v		The Company has set up a Chinese/English website (www.eurocharm.com.tw) to disclose information regarding the Company's financials, business, and corporate governance status. The Company has assigned an appropriate person to handle information collection and disclosure. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	None
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	v		(1) The directors of the Company have been regulated in continuing education in accordance with the "Publications, Directors of OTC Companies, Supervisors' Training and Implementation Highlights", following is the firectors' and independent directors' training records in 2018: Chairman Steven Yu 6H " 2018 Anti-Internal Trading Advocacy Meeting" and "Listed Company's New Corporate Governance Blueprint Summit Forum" Director Michael Yu 6H "2018 Anti-Internal Trading Advocacy Meeting" and "Listed Company's New Corporate Governance Blueprint Summit Forum" Director Antonio Yu 6H "The 12th Taipei Corporate Governance Forum"	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Director Steven Chang 8H "From Corporate Governance to the Operation of the Board of Directors Forum", "Listed Company and Unlisted Public Offering Company's Insider Equity Transation Law Compliance Seminar" and " Insider Securities Regulations Seminar" Independent Director Bryan Peng 6H "IListed Company and Unlisted Public Offering Company's Insider Equity Transation Law Compliance Seminar" and "Director's Responsibility and Rights Seminar" Independent Director Wei-Min Lin 26H "2018 Key points and doubts in the tax declaration", "Non-listed Company New Accountant Audit Report Seminar", "International appraisal practice in response to money laundering", " Analysis of the latest tax laws and regulations in the first half of 2018", "Practice and Case Studies of Money Laundering Declaration" and "Company Law's Latest Revision Trend and Analysis" Independent Director Gen-Yu Fong 6H "Electronic Voting System in Relation to Company Value's Growth Forum" (2) Board Meetings: The Company has established regulations towards board meetings including the specific procedures, directors' attendances, and the voting rights. (3) Investor Relations: The Company has a spokesperson system, a litigation representative and a non-litigation representative in the territory of the Republic of China for immediate assistance of the investors, customers, suppliers and other interested parties. News regarding the company's finances is announced on "MOPS" to provide timely information that may affect the decisions of investors. (4) Rights of Interested Parties: The Company maintains positive communication channels with banks, employees, customers, suppliers and stakeholders. (5) Implementation of Risk Management and Evaluation: The Company has established internal regulations and related management practices. (6) The Company has purchased liability insurance for its directors and managers since the year 2018. (7) For more information and disclosures, please visit: http://www.eurocharm.com.tw	None
Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	v		The Company has reported the result of last year's corporate governance evaluation to the Board of Directors. For significant improvement in the future, the Company had assigned dedicated staff to establish improvement plans targeting the non-scoring items.	None

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Wei-Min Lin		v	v	v	v	v	v	v	v	v	v	0	-
Independent Director	Bryan Peng			v	v	v	v	v	v	v	v	v	0	-
Independent Director	Gen-Yu Fong	v		v	v	v	v	v	v	v	v	v	3	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

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

2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.

3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.

4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.

5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.

6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified Company or institution which has a financial or business relationship with the Company.

7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof.

8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

The responsibility of the Remuneration Committee: According to Article 7 of the Rules of the Company's Remuneration Committee Organization, the following duties shall be faithfully performed, and suggestions shall be made for the following matters and submitted to the Board for discussion.

(1) Regularly review the operation and management practices of the Remuneration Committee.

(2) Formulate and periodically review the annual and long-term performance targets and compensation policies, systems, standards and structures of the directors and managers of the Company.

(3) Regularly assess the achievement of performance targets of the directors and managers of the company, and determine the content and amount of their compensation.

C. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 (A) Remuneration Committee meetings were held in the term from June 29, 2016 to June 23, 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	3	0	100	Elected on 06/29/2016
Committee Member	Gen-Yu Fong	3	0	100	Elected on 06/29/2016
Committee Member	Bryan Peng	3	0	100	Elected on 06/29/2016

Other mentionable items:

1. 2018 Remuneration Committee meetings

Date	Session	Content	Opinions and Suggestions
03/23/2018	6th; 3rd Session	- Company's distribution of 2017 director and employee compensation - Company's manager salary adjustment	Unanimous consent
05/07/2018	7th; 3rd Session	- Company's subsidiaries' director settlement remittance case	
08/02/2018	8th; 3rd Session	- Company's 2017 director's remuneration allotment case - Company's distribution of 2017 manager compensation	

2. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.

3. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, a content of the motion, all members' opinions and the response to members' opinion should be specified: None.

3.4.5 CORPORATE SOCIAL RESPONSIBILITY

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Exercising corporate governance (a) Has the Company formulated CSR policies or established a CSR system and does it review the implementation results? (b) Does the Company organize CSR-related educational training on a regular basis? (c) Has the Company established exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing CSR policies and has the board authorized the top management level to handle CSR-related matters and report the progress to the board? (d) Has the Company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?	V		(a) The Company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles. (b) The Company organizes CSR-related training courses and education on a scheduled and non-scheduled basis. (c) Management departments of the Company concurrently serve as dedicated CSR units during the current stage and are in charge of promoting CSR-related operations. The 2018 business development is as follows and reported to the first board of directors' meeting in 2019: I. Each year in June and December is the company's environmental awareness month, advising employees on various energy conservation and carbon reduction policies. II. The company has established policies on hazardous substance management to prevent harmful substances from mixing into products to protect the global environment. III. The Group cooperated with the government agencies of Yong'an City in Vietnam to distribute relief funds for families in distress. The Group's 2018 annual donation of VND$ 50 million to help families in distress. IV. Employee health checks are regularly performed and special medical examinations are conducted for special workers to ensure the health of employees. (d) The Company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The Company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies. "Remuneration Management Approach" and "Assessment of Operational Measures" are implemented to promote salary adjustment opportunities regularly, reward outstanding employees, distribute performance bonuses based on the company's operating performance and employee performance. The company organizes various activities in cooperation with labor unions during important festivals. At the end of the year, it also provides separate departmental annual meal allowances. The entire company implements improvement proposals, and if the proposals effectively increase efficiency or reduce costs, bonuses are granted to encourage them.	None
2. Fostering a sustainable environment (a) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? (b) Has the Company established a proper environmental management system based on the characteristics of its industry? (c) Does the Company monitor the impact of climate change on business activities? Does it carry out greenhouse gas inventories and has it formulated energy conservation, carbon reduction, and gree house gas reduction strategies?	V		(a) The Company is committed to a more efficient utilization of resources and promotes low-carbon offices and inculcates water and power conservation habits among its employees. (b) The Company has always placed great emphasis on eco-friendliness and energy conservation to fulfill its responsibility in the field of environmental protection. Pollution prevention facilities have been installed in accordance with relevant laws, and all production affiliates have passed the ISO14001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of making a contribution to global environmental protection efforts. Also, the general affairs units are responsible for designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, wastewater, and solid waste and relevant legal requirements. (c) The Company has already implemented energy conservation and carbon reduction activities. In addition to the reduced use of light tubes in public areas, the turning off of unnecessary lights, as well as the use of AC temperature controllers and highly effective energy conservation equipment, are promoted in office areas.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
3. Preserving public welfare (a) Has the Company formulated relevant management policies and procedures under corresponding laws and regulations and the International Covenant on Human Rights? (b) Has the Company established mechanisms and channels for employee grievances and are they handled in a proper manner? (c) Does the Company provide a safe and healthy work environment for its employees and does it organize safety and health related training for its employees on a regular basis? (d) Is a mechanism in place for regular communication with employees and are employees notified in a reasonable manner of operational changes that may have a significant impact? (e) Has the Company established an effective career skill development program for its employees? (f) Has the Company formulated relevant policies and grievance procedures for the protection of consumer rights and interests regarding its R&D, procurement, production, operation, and services processes? (g) Does the Company comply with relevant laws and international standards in the marketing and labeling of its products and services? (h) Does the company evaluate past records of suppliers about environmental and social impacts before initiating dealings with them? (i) Do contracts between the Company and its main suppliers stipulate that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts?	V		(a) The Company safeguards the legal rights and interests of its employees through various management systems and norms including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance. (b) The Company has established mechanisms and channels for employee grievances and is handles them in a proper manner. (c) The Company is committed to providing a comfortable, safe, and healthy work environment for its employees in accordance with laws and regulations governing public building safety and fire safety. It also organizes educational training and annual health checks for its employees on a regular basis and provides complete life and entertainment facilities including staff dorms and recreation centers. (d) The Company organizes labor-management conferences on a regular basis and enables positive communication between both sides. In addition, employees are notified of operational changes that may have a significant impact on them through different methods such as public notices to give both sides a full understanding of labor and management related information. (e) The Company has established an effective career skill development program for its employees. (f) The Company doesn't sell its products to end consumers. (g) The Company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products. (h) The Company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them. (i) The contracts between the Company and its main suppliers do currently not include provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate a significant environmental and social impacts with its main suppliers: Relevant provisions will be added or removed in accordance with actual needs.	None
4. Enhancing information disclosure (a) Does the Company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System?	V		(a) The Company has already set up a corporate website and will establish a link to the Market Observation Post System in accordance with relevant Taiwanese laws to disclose relevant and reliable CSR-related information.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: No major discrepancies exist as far as compliance with the CSR Best Practice Principles of the Company is concerned.				

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: Environmental Protection: The Company implements and reinforces environmental management in accordance with relevant environmental laws. Social Contributions and Charitable Donations: The Company has been participating in various educational, culture and public welfare events. Donations to local community groups have also been made to serve the Company's social responsibility. Customer's Rights: Customer satisfaction is the Company's highest priority. By providing customers with the most efficient service and best products quality, the Company, in turn, raises its competitiveness. Equal Opportunity: The Company strictly prohibits discrimination against any employee or applicant for employment because of the individual's race, color, religion, gender, sexual orientation, gender identity or expression, national origin, age, disability, veteran's status or any other characteristic protected by law. Any actions that may be considered harassment or discrimination will be facing lawful authorities to ensure a free working environment. Health and Safety: The Company follows the Labour Safety and Health Act and practices the appropriate code of conducts.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: N/A				

3.4.6 Ethical Corporate Management

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Establishment of ethical corporate management policies and programs (1) Does the Company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the Company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies? (3) Does the Company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies?	V		(1) The Company has already formulated Ethical Corporate Management Best Practice Principles and Supplier Code of Conduct. Ethical management policies have been disclosed in internal regulations, on the corporate website, in annual reports, or other promotional materials. (2) The Company has included clearly formulated prevention schemes and relevant handling procedures in its "Ethical Corporate Management Operating Procedures and Code of Conduct" covering the prohibition of bribery, illegal political contributions, improper charity donations or sponsorships, improper gifts, entertainment, or other benefits. (3) The Company has included clearly formulated provisions prohibiting the offering and acceptance of improper benefits and the offering of illegal political contributions with clearly stated handling procedures in its "Ethical Corporate Management Operating Procedures and Code of Conduct."	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the Company regularly hold internal and external educational training on operational integrity?	V		(1) Before the Company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behaviour of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes. (2) The Company has designated the audit office as its dedicated unit in charge of amendment, implementation, interpretation, and counselling services with regard to the "Ethical Corporate Management Operating Procedures and Code of Conduct" in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors. The 2018 business development is as follows and reported to the first board of directors' meeting in 2019: I. Establishes various methods for reporting including internal and external reporting mailboxes. The Company requires employees and suppliers suspected of improper behavior to report and clarify on their own initiative and reward employees who report misconducts. II. When assessing the involved parties of business transactions, the Company fully understands the other party's business integrity and prohibits commissions, rebates or other benefits. (3) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate in the discussion or vote on that proposal and shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of the Company would be prejudiced. In addition, said director may not exercise voting rights as the proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. (4) If in the course of conducting company business, any personnel of the Company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. (5) The Company has established an accounting education for directors, executives, employees, and appointees to provide them with a full understanding of the commitment, policies, and prevention schemes of the Company in the area of ethical corporate management and ward off unethical behavior.	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		(1) The company has set up reporting mailboxes to encourage employees to submit reports on detected misconduct that prejudices the interests of the company. The audit office is in charge of processing such reports. (2) The audit office carries out investigations of reported contents and reports the final results to the Chairman in accordance with confidentiality principles. (3) The company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		(1) The Company's Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company's Chinese / English website (http://www.eurocharm.com.tw) and MOPS.	None

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
5. If the Company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies, please describe any discrepancy between the policies and their implementation. There have been no differences.				
6. Other important information to facilitate a better understanding of the Company's ethical corporate management policies (e.g., review and amend its policies). (a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities, and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEx-Listed Companies, and other laws and decrees concerning business transactions. (b) The Company has set up the "Management Procedures for Preventing Insider Trading," which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope. (c) For more detailed information, please refer to the Company's official website: http://www.eurocharm.com.tw.				

3.4.7 Corporate Governance Guideline and Regulations

Please refer to the MOPS (http://mops.tse.com.tw/ > Corporate Governance)

3.4.8 Other Important Information Regarding Corporate Governance

Managers participate in corporate governance related training: In 2018, managers have no relevant training.

Procedures of internal major information processing: The Company establishes "Prevention of insider trading management operations procedures", "Integrity management practices and operating procedures and behavior guidelines" as guidelines for the conduct of directors, managers and employees. It also states that the company's directors, managers and employees should comply with the laws, regulations, and articles including in the Insider Trading Act.

3.4.9 Implementation of the Internal Control System

Declaration regarding the internal control system

Eurocharm Group Co., Ltd.

Declaration regarding the internal control system

Date: February 26, 2019

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2018:

I. The Company is fully aware of the fact that directors and managers of this Company shall be fully responsible for the establishment, implementation, and maintenance of an internal control system. It has already established such a system in order to guarantee achievement of a wide range of goals including effectiveness and efficiency of Company operations (e.g., profitability, performance, and asset security), reliability, timeliness, and transparency of reporting, and compliance with relevant laws, rules, and regulation.

II. The internal control system faces inherent constraints. No matter how perfect the design of the system is, an effective internal control system may only provide reasonable guarantees regarding the achievement of the aforementioned three goals. Furthermore, the effectiveness of the internal control system is affected by changes in the environment and external conditions. However, the internal control system of the Company is equipped with a self-monitoring mechanism. Once shortcomings are identified, the Company adopts corrective measures in a prompt manner.

III. The Company judges the effectiveness of the design and implementation of the internal control system based on the judgment criteria prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as "these Regulations"). The judgment criteria for the internal control system adopted in these Regulations divide the internal control system into five main constituents based on the management and control process: 1. Control environment 2. Risk assessment 3. Control activities 4. Information and communication and 5. Monitoring. Each constituent includes several items. For more details on the aforementioned items, please refer to the provisions set forth in these Regulations.

IV. The Company inspects the effectiveness of the design and implementation of the internal control system based on the aforementioned judgment criteria.

V. Based on the results of the mentioned inspections, the Company believes that the design and implementation of the internal control system on December 31, 2018 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.

VI. This declaration will be included as a main component of the annual report and prospectus of the Company and will be made public. If the aforementioned published contents involve illegal activity such as fraud or concealment, the Company shall assume legal liability pursuant to Article 20, 32, 171, 174 of the Securities and Exchange Act.

VII. This declaration was approved unanimously by the board of directors with an attendance of 7 directors on February 26, 2019. All 7 directors consented to the contents of this declaration as stated herein.

Eurocharm Holdings Co., Ltd. Chairman: Steven Yu General Manager: Steven Yu

Internal Control System Review Report

The declaration of Eurocharm Group Co., Ltd. issued on February 26, 2019 stating the effectiveness of the design and implementation of the internal control system on December 31, 2018 based on an assessment of the financial reporting and asset safety related internal control system has been reviewed by this accountant. The maintenance of an effective internal control system and the assessment of its effectiveness are the responsibility of the management level of the Company.

This accountant has been commissioned to express an opinion on the efficiency of the internal control system and the declaration regarding the internal control system of the aforementioned Company based on the results of a review.

This accountant carried out a review in accordance with the Regulations Governing Establishment of Internal Control Systems by Public Companies and generally accepted auditing standards to reasonably determine the effectiveness of the internal control system of the aforementioned Company in all major areas. This review process covered an understanding of the internal control system, an assessment of the validity of evaluations of the internal control system conducted by the management level, testing and assessment of the effectiveness of the design and implementation of the internal control system, and other review procedures as deemed necessary by this accountant.This accountant believes that this review process may serve as a reasonable basis for the expressed opinion.

Any internal control system faces inherent constraints. It can therefore not be ruled out that the internal control system of Eurocharm Group Co., Ltd. fails to prevent or detect committed mistakes or misconduct. In addition, the level of compliance with the internal control system may decrease due to future environmental changes. The fact that the internal control system is currently effective therefore does not ensure that it will also be effective in the future.

This accountant hereby affirms based on the judgment criteria for the effectiveness of control system prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies that the design and implementation of the financial reporting and asset safety related internal control system of Eurocharm Group Co., Ltd. was effective in all major areas on December 31, 2018 The declaration issued by Eurocharm Group Co., Ltd. on February 26, 2019 stating the effectiveness of the design and implementation of the financial reporting and asset safety related internal control system on December 31, 2018 based on assessments is confirmed in all major areas.

Accounting Firm: Ernst & Young

Accountant Ching-Piao Cheng
I-Hui Huang

February 26, 2019

3.4.10 Penalties imposed in accordance with the law upon the Company or its internal personnel and any penalties imposed by the Company upon its internal personnel for violations of internal control system provisions as well as principal deficiencies and improvements efforts for the most recent fiscal year up to the printing date of the annual report

None

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Major resolutions of shareholders meetings in 2018 and implementation status (06/14/2018):

Major Resolution	Resolution Result	Implementation
1. Adoption of the 2017 Business Report and Consolidated Financial Statements	Voting Result: Approved Total Number of rights held by attending shareholders : 48,578,382 rights In favour: 47,279,338 rights; 97.32%; Against: 1,016 rights; Abstained / not voted on the number of 1,298,028 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of 2017 Profits	Voting Result: Approved Total Number of rights held by attending shareholders : 48,578,382 rights In favour: 47,279,338 rights; 97.32%; Against: 1,016 rights; Abstained / not voted: 1,297,028 rights, case passed	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on 08/20/2018 and the payable date was on 09/14/2018
3. Proposal to amend the Memorandum and Articles of Association of the Company	Voting Result: Approved Total Number of rights held by attending shareholders : 48,578,382 rights In favour: 47,162,338 rights; 97.08%; Against: 1,016 rights; Abstained / not voted: 1,415,028 rights, case passed	Revision Implemented

Implementation of the resolution results Resolution of the Shareholders' Regular Meeting 2018 include Adoption of the 2017 Business Report and Consolidated Financial Statements. Adoption of the Proposal for Distribution of 2017 Profits. Amend the Memorandum and Articles of Association of the Company. Amend the Operational Procedures for Acquisition and Disposal of Assets. The Company has completed all the necessary implementations.

Major resolutions of board meetings in 2018 up to the printing date of the annual report:

A total number of 8 board meetings, as follows,

DATE	SESSION	MAJOR RESOLUTIONS
03/23/2018	11th; 3rd Session	1. The Company's 2017 remuneration to directors' and employees' compensation 2. The Company's managers' salary adjustment 3. Proposed approval of the Company's 2017 annual business report and consolidated financial statements 4. Distribution of 2017 profits 5. The Company's 2017 Internal Control System Self-inspection Results Report and Internal Control System Statement 6. Amend the Memorandum and Articles of Association of the Company 7. Subsidiary company's plan to renew short-term credit contract with bank 8. Endorsement guarantee for the Company's subsidiary 9. "IFRS16 Lease Import Project" compiled 10. Shareholders' meeting, proposal and relevant issues. 11. Time and location of the 2018 shareholders' meeting
05/07/2018	12th; 3rd Session	1. Subsidiary company's directors' annual pension settlement 2. Approval of the Ernst & Young Accounting Firm internal accountant transfer 3. Approval of the 2018 consolidated financial statements in the 1st quarter 4. The Company and subsidiary plan to renew short-term credit contract with bank 5. Endorsement guarantee for the Company's subsidiary 6. Acquisition of land use rights of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company 7. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company
08/02/2018	13th; 3rd Session	1. Approval of the 2018 consolidated financial statements in the 2nd quarter 2. The Company and subsidiary plan to renew short-term credit contract with bank 3. Endorsement guarantee for the Company's subsidiary 4. Approval of the Company's subsidiary's (Vietnam Precision Industrial No. 1 Co., Ltd.) joint venture with Yuan Yu Chieng Yeh 5. Approval of the Company's subsidiary's (Vietnam Precision Industrial No. 1 Co., Ltd.) joint venture with Công Ty C Phn Kim Loi Comax Vit Nam 6. The Company's 2017 distribution of directors' and employees' remuneration 7. The Company's 2017 employee compensation distribution 8. The Company's compilation of the IFRS16 Lease Import project
11/08/2018	14th; 3rd Session	1. Approval of the 2018 consolidated financial statements in the 3rd quarter 2. The Company and subsidiary plan to renew short-term credit contract with bank 3. Endorsement guarantee for the Company's subsidiary 4. The Company's compilation of the IFRS16 Lease Import project
12/21/2018	15th; 3rd Session	1. The Company's 2019 business and annual budget plan 2. Appointment of Ernst & Young Certified Public Accountants to carry out the review on 2018 annual internal control system 3. The company's internal audit plan for 2019 4. The Company and subsidiary plan to renew short-term credit contract with bank 5. The Company's internal audit plan for 2019 6. Endorsement guarantee for the Company's subsidiary 7. Revision of the Company's relevant operating procedures 8. The Company's compilation of the IFRS16 Lease Import project

DATE	SESSION	MAJOR RESOLUTIONS
01/03/2019	16th; 3rd Session	1. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company
02/26/2019	17th; 3rd Session	1. The Company's 2018 remuneration to directors' and employees' compensation 2. Proposed approval of the Company's 2018 annual business report and consolidated financial statements 3. Distribution of 2018 Profits 4. The Company's 2018 Internal Control System Self-inspection Results Report and Internal Control System Statement 5. Amend the Memorandum and Articles of Association of the Company 6. Revision of the Company's relevant operating procedures 7. Election of directors of the Company 8. Nomination of candidates for directors and independent directors and related matters 9. Acceptance of nominated candidates at the shareholders' meeting and related matters 10. Proposal of lifting the non-competition restrictions for new directors and their representatives 11. Shareholders' meeting, proposal and relevant issues 12. Time and location of the 2019 shareholders' meeting 13. Proposal of the exchanges between the Company and Mega Internatioal Commercial Bank
04/19/2019	18th; 3rd Session	1. Revision of the Company's relevant operating procedures 2. Amend the Memorandum and Articles of Association of the Company 3. Proposal of lifting the non-competition restrictions for new directors and their representatives 4. Adding matters for discussion of 2019 shareholding meeting
04/22/2019	19th; 3rd Session	1. Approval of the 2019 Q1 consolidated financial statement 2. The subsidiary plan to renew short-term credit contract with bank 3. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company 4. Investing in the establishment of a US subsidiary

3.4.12

Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors

None

3.4.13

Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Information Regarding the CPA Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young	Ching-Piao Cheng	I-Hui Huang	01/01/2018 - 12/31/2018	-

Unit: NT$ thousands

		Audit Fee	Non-Audit Fee	Total
FeeRange	Under NT$ 2,000		950	950
	NT$2,000 ~ NT$4,000			
	NT$4,001 ~ NT$6,000	5,025		5,025

Non-audit fees paid to CPAs, their accounting firms, and related businesses make up over 25% of the audit fees

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst and Young	Ching-Biao Cheng I-Hui Huang	5,025	-	-	-	950	950	01/01/2018 - 12/31/2018	Non-audit public fees - Other refers to internal control project review

Reduction of audit fees after replacement of the accounting firm compared to the year preceding replacement

None

Reduction of audit fees by more than 15% compared to the previous year

None

3.6 Replacement of CPA

None

3.6.1 About the Former Accountant

Replacement Date	05/07/2018		
Reason for Replacement and Explanation	Internal rotation of the firm		
Explanation for the Accountant's Termination or Appointment Refusal	Situation	Accountant	Delegate
	Appointment Termination	N/A	N/A
	Appointment Refusal	N/A	N/A
Issued unserved opinion within the last two years and other reasons	None		
Disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Scope or Step Examination
			Others
	No	V	
	Explanation: N/A		
Other disclosures	None		

3.6.2 About Successor Accountant

Accounting Firm	Ernst & Young
Accountant	Ching-Piao Cheng and I-Hui Huang
Date of appointment	05/07/2018
Pre-commissioning accounting approaches or accounting principles for specific transactions and opinions on the possible issuance of financial report consultation and results	None
Successor accountant's written disagreement to the former accountant	None

3.6.3

3.6.3 Response of the former accountant to the Article 10-5-1 and 10-5-2-3:

N/A

3.7

Recent Employment of the Chairman, General Managers or Financial Managers who were Employed in an Accounting Firm or its Affiliates

None

Evaluation of the CPA's Independence 3.8

Each year, the Audit Committee monitors the independence of Eurocharm Group's external auditor by conducting the below evaluations and reports the same to the Board of Directors:

A//

The auditor's independence declaration

B//

The Audit Committee pre-approves all audit and non-audit services conducted by the auditor to ensure that the non-audit services do not influence the results of the audit

C//

Ensure the audit partner rotates every seven years

D//

Annually evaluate the independence of the external auditor based on the results of the auditor survey

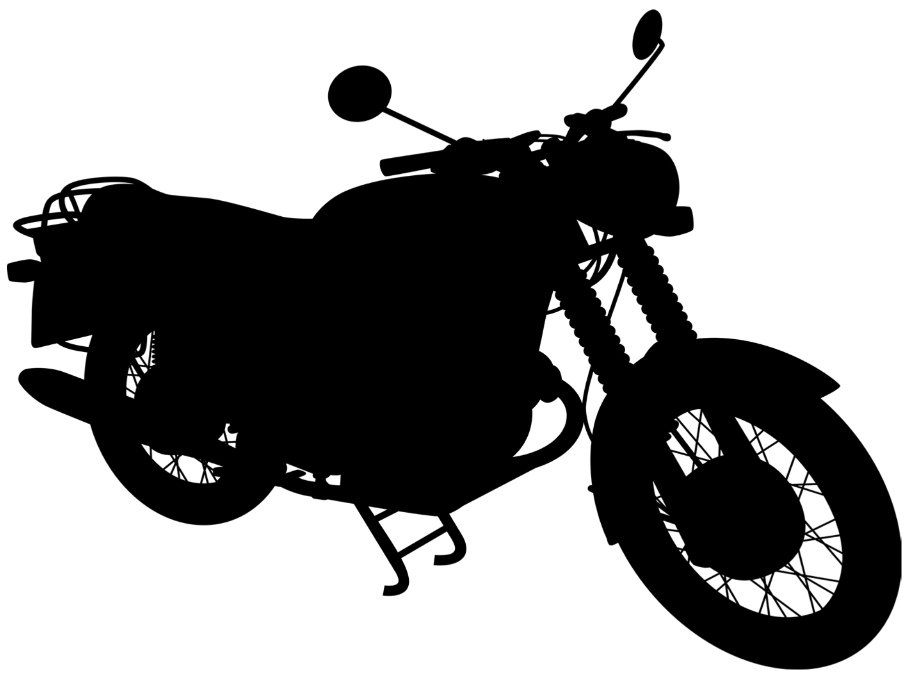
3.9 Operational Procedures for Handling Material Inside Information

Eurocharm Group has established relevant procedures for managing and disclosing material information. The responsible departments regularly remind all officers and employees about the need to comply with these proceedings and other applicable regulations when they become aware of any potential material information and the possible need to publicly disclose such information. To ensure that our employees, managers, and board directors are aware of and comply with these relevant regulations, the Company has also established our "Insider Trading Policy." To reduce the risk of insider trading, on-line training programs and live seminars are conducted periodically. Also, employees can familiarize themselves with relevant internal policies and training articles.

3.10 Recent Changes in Equity and Pledged Shares of Directors, Supervisors, Managers and Shareholders Holding Over 10% of the Total Shares

Unit: Share

Title	Name	2018		As of April 2, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	New General Limited	0	0	0	0
	Representative: Steven Yu	0	0	0	0
Director	Seashore Group Limited	0	0	0	0
	Representative: Michael Yu	0	0	0	0
Director	Seashore Group Limited	0	0	0	0
	Representative: Antonio Yu	0	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Wei-Min Lin	0	0	0	0
Independent Director	Bryan Peng	0	0	0	0
Independent Director	Gen-Yu Fong	0	0	0	0
General Manager	Steven Yu	0	0	0	0
Deputy General Manager	James Zhan	9,000	9,000	0	0
Deputy General Manager	Andy Wu	0	0	0	0
Deputy General Manager	Cina-Jin Zhan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Deputy General Manager	Robert Lin	0	0	0	0



3.10.2

Shares Trading with Related Parties

None

3.10.3

Shares Pledged with Related Parties

None

3.11 Relationship among the Top Ten Shareholders and their Spousal or Kinship Relationships within the Second Degree

04/02/2019 (Book closure date) Unit: thousand shares

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Seashore Group Limited	24,769	37.63%	-	-	-	-	-	-	-
New General Limited	13,833	21.01%	-	-	-	-	-	-	-
New General Limited Representative:Steven Yu	-	-	-	-	-	-	SeashoreGroupLimited Representative:Michael Yu	Brother	-
							SeashoreGroupLimited Representative:Antonio Yu	Brother	
Seashore Group Limited Representative: Michael Yu	117	0.18%	-	-	-	-	SeashoreGroupLimited Representative:StevenYu	Brother	-
							SeashoreGroupLimited Representative:Antonio Yu	Brother	
Seashore Group Limited Representative: Antonio Yu	116	0.18%	-	-	-	-	New General Limited Representative:StevenYu	Brother	-
							New General Limited Representative:Michael Yu	Brother	
Fubon Life Insurance Company, Ltd.	4,216	6.40%	-	-	-	-	-	-	-
CathayLifeInsurance Company, Ltd.	1,755	2.67%	-	-	-	-	-	-	-
HSBC Trusted Morgan Stanley International Co., Ltd.	1,216	1.85%	-	-	-	-	-	-	-
Citibank (Taiwan) Commercial Bank Trustee Special Investment Fund eQ Emerging Market Small Cap Fund Investment Account	693	1.05%	-	-	-	-	-	-	-
Hongtai Life Insurance Co., Ltd.	650	0.99%	-	-	-	-	-	-	-
Guangyuan Investment Co., Ltd.	468	0.71%	-	-	-	-	-	-	-
Deutsche Bank (Taipei Branch) Government Pension Plan Investment Account	431	0.65%	-	-	-	-	-	-	-
Taiwan Life Insurance Co., Ltd.	430	0.65%	-	-	-	-	-	-	-

3.12 Consolidated Shareholding Ratio and the Number of Shares Held by the Company, Directors, Supervisors, Managers and Businesses Directly or Indirectly Controlled by the Company in the Same Joint Venture Business

12/31/2018 (Unit: Share)

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Eurocharm InnovationCo., Ltd. (B.V.I.)	19,000,000	100.00	0	0.00	19,000,000	100.00

Note: The Company investment accounted for under the equity method.

IV. CAPITAL OVERVIEW

4.1 Capital and Shares

4.1.1 Source of Capital

As of 04/02/2019 (Unit: thousand shares; NT$ thousands)

Month/ Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares (thousand shares)	Amount (NT$ thousands)	Shares (thousand shares)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
07/2011	USD1	17,000	USD$17,000	17,000	USD$17,000	Evaluation	-	-
04/2012	USD1	30,000	USD$30,000	17,000	USD$17,000	Authorized Stock Increase	-	-
07/2012	USD1	30,000	USD$30,000	17,474	USD$17,474	Cash Capital Increase	-	Note 1
09/2013	-	90,000	NTD$900,000	56,874	NTD$568,742	Equity Currency Conversion	-	Note 2
09/2014	58	90,000	NTD$900,000	63,984	NTD$639,842	Cash Capital Increase	-	-
09/2014	40	90,000	NTD$900,000	64,340	NTD$643,402	Employee Stock Option Implementation	-	-
10/2014	40	90,000	NTD$900,000	64,349	NTD$643,492	Employee Stock Option Implementation	-	-

Month / Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
02/2015	40	90,000	NTD$900,000	64,370	NTD$643,702	Employee Stock Option Implementation	-	-
04/2015	40	90,000	NTD$900,000	64,488	NTD$644,882	Employee Stock Option Implementation	-	-
05/2015	40	90,000	NTD$900,000	64,503	NTD$645,032	Employee Stock Option Implementation	-	-
09/2015	38	90,000	NTD$900,000	64,583	NTD$645,832	Employee Stock Option Implementation	-	-
10/2015	38	90,000	NTD$900,000	64,932	NTD$649,322	Employee Stock Option Implementation	-	-
08/2017	36	90,000	NTD$900,000	64,956	NTD$649,562	Employee Stock Option Implementation	-	-
09/2017	36	90,000	NTD$900,000	65,196	NTD$651,962	Employee Stock Option Implementation	-	-
10/2017	36	90,000	NTD$900,000	65,399	NTD$653,992	Employee Stock Option Implementation	-	-
11/2017	36	90,000	NTD$900,000	65,456	NTD$654,562	Employee Stock Option Implementation	-	-
12/2017	36	90,000	NTD$900,000	65,549	NTD$655,492	Employee Stock Option Implementation	-	-
01/2017	36	90,000	NTD$900,000	65,688	NTD$656,882	Employee Stock Option Implementation	-	-
02/2017	36	90,000	NTD$900,000	65,745	NTD$657,452	Employee Stock Option Implementation	-	-
03/2017	36	90,000	NTD$900,000	65,753	NTD$657,532	Employee Stock Option Implementation	-	-
09/2017	34	90,000	NTD$900,000	65,799	NTD$657,992	Employee Stock Option Implementation	-	-
12/2017	34	90,000	NTD$900,000	65,809	NTD$658,092	Employee Stock Option Implementation	-	-
03/2018	34	90,000	NTD$900,000	65,826	NTD$658,262	Employee Stock Option Implementation	-	-

Note 1: The Company issued new shares totalled 473,537 due to cash capital increase.
Note 2: The Company modified face value of shares from USD$1 to NTD$10.

As of 04/02/2019 (Unit: Share)

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common	65,826,153	24,173,847	90,000,000	-

Note 1: Approved by the general declaration system to raise the issuance of securities: None

4.1.2 Status of Shareholders

As of 04/02/2019 (Unit: Person: Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic NaturalPersons	Foreign Institutions & NaturalPersons	Total
Number of Shareholders	1	12	56	58	1,771	1,898
Shareholding (shares)	50,000	7,452,000	4,061,091	45,131,127	9,131,935	65,826,153
Percentage	0.08	11.32	6.17	68.56	13.87	100.00

4.1.3 Shareholding Distribution Status

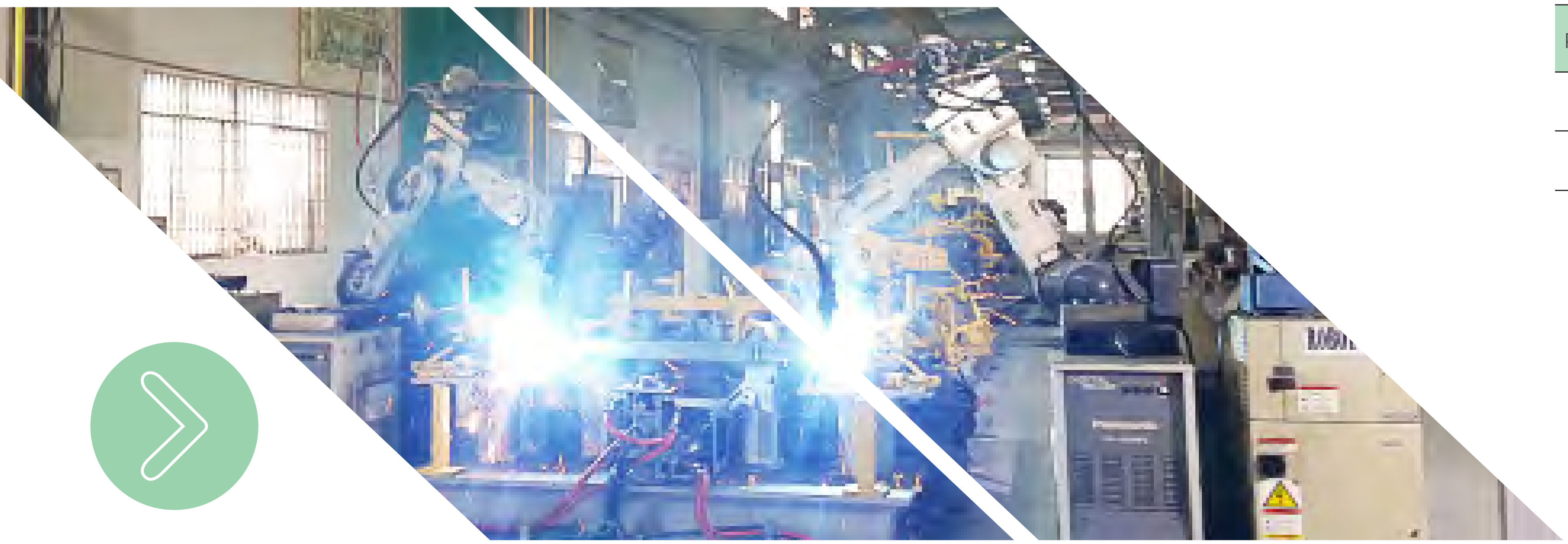
As of 04/02/2019 (Unit: Person: Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	146	7,627	0.01
1,000 ~ 5,000	1,373	2,439,498	3.71
5,001 ~ 10,000	133	1,069,051	1.62
10,001 ~ 15,000	56	731,568	1.11
15,001 ~ 20,000	30	557,000	0.85
20,001 ~ 30,000	38	964,035	1.47
30,001 ~ 40,000	16	567,091	0.86
40,001 ~ 50,000	18	812,487	1.24
50,001 ~ 100,000	35	2,471,109	3.75
100,001 ~ 200,000	30	4,161,510	6.32
200,001 ~ 400,000	12	3,162,190	4.80
400,001 ~ 600,000	4	1,750,711	2.66
600,001 ~ 800,000	2	1,343,000	2.04
800,001 ~ 1,000,000	0	0	0.00
1,000,001 or over	5	45,789,276	69.56
Total	1,898	65,826,153	100.00

4.1.4 List of Major Shareholders

As of 04/02/2019 (Unit: Share)

Shareholder's Name	Shareholding	
	Shares	Percentage
New General Limited	13,833,217	21.01%
Seashore Group Limited	24,769,059	37.63%



4.1.5 Market Price, Net Worth, Earnings and Dividends per Share in the previous two fiscal years

(Unit: NT$: thousand shares)

Items	2017	2018	As of March 31, 2019
Market Price per Share			
Highest Market Price	100.5	125.5	148.5
Lowest Market Price	75.7	77.6	108
Average Market Price	88.17	89.05	129.81
Net Worth per Share			
Before Distribution	39.04	43.85	46.31
After Distribution	35.04	See Note	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,758 thousand shares	65,822 thousand shares	65,826 thousand shares
Earnings Per Share	6.99	8.35	2.62
Dividends per Share			
Cash Dividends	4	5 (See Note)	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio	12.21	14.05	16.05
Price / Dividend Ratio	21.28	22.4 (See Note)	-
Cash Dividend Yield	4.70	3.57	3.73

Note: The 2018 annual surplus distribution was approved by the board of directors but not yet approved by the shareholders' meeting

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

As the Company is in the growing stage, the dividend distribution may take the form of a cash dividend and 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.

Unless otherwise required by the Statute and the Applicable Public Company Rules, the Company may distribute profits in agreement 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 a bonus 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 bonuses to Directors and the compensation to employees, and such resolution shall be reported at the shareholders meeting. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and the compensation in his capacity as an employee; and

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 the Directors and the general meetings, the amount of profits distributed to Members shall not be lower than 20% of profits (after tax) of the then 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 then 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.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2018 profits was passed at the meeting of the Board of Directors on February 26, 2019. It is approved that a total amount of NT$329,130,765 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT$ 5 per share.

4.1.7 Impact on the Company's performance and EPS of stock dividends proposed by this shareholders' meeting

The board of directors approved the 2018 earnings distribution proposal on February 26, 2019, with a planned distribution of cash dividends amounting to NT$ 5 per share. The proposal will be submitted to the shareholders' meeting on May 31, 2019, for ratification. Since only cash dividends are distributed, the overall business performance of the Company will not be affected.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

1. Quotas or range of employee bonuses and compensations of directors and supervisors as specified in the Articles of Incorporation:

Please refer to 4.1.6 Dividend Policy and Implementation Status Section A.

2. Estimation basis for employee compensations of directors and supervisors for this quarter, calculation basis for some shares allocated as the stock bonus, and accounting procedures in case of discrepancies between actually distributed amounts and estimated figures:

The proportional foundation for the distribution of payable employee and director compensations in 2018 shall be determined based on the profits (employee bond of not less than 2%; directors and supervisors' remuneration of not more than 2%). In the case of significant changes of distribution amounts determined by the board of directors after year end, the initially allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day before the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts).

3. Proposed distribution of employee bonuses approved by the board of directors:

A. On February 26, 2019, the Company charter prescribes the following for the employee bonus and compensation for directors and supervisors:

- Employee cash bonus of NT$ 21,526,794
- Employee stock bonus of NT$ 0
- Directors' Remuneration of NT$10,300,000

B. Proposed employee stock bonus and proportion of stock bonus to net income after tax as indicated in individual financial statements for this quarter and the total amount of employee bonuses: None

C. Profit Distribution for Employees' Directors' and Supervisors' Remuneration for 2017 Approved in Board of Directors Meeting

In the 2018 financial statement, it was stated that the employee bonus was NT$ 18,865 thousand dollars and the directors' remuneration was NT$ 10,300 thousand dollars. In 2017, the employee bonus distributed was NT$ 18,865 thousand dollars, and the directors' remuneration allocated was NT$ 10,300 thousand dollars. No discrepancy was found.

4.1.9 Buyback of Treasury Stock: None

4.2 Bonds

4.2.1 Current Status of Company Bonds:

I. Corporate Bonds: None

II. Convertible and Exchangeable Bonds, Shelf Registration for Issuing Bonds or Corporate Bonds with Warrants: None

4.3 Preferred Shares: None

4.4 Global Depository Receipts: None

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

09/14/2018

Type of Stock Option	1st Tranche
Approval date	08/06/2014
Issue date	09/15/2012
Units issued (shares)	2,000,000
Shares of stock options to be issued as a percentage of outstanding shares (%)	3.13%
Duration	09/14/2014 - 09/14/2018
Conversion measures	Issue of new shares
Conditional conversion periods and percentages	Expected option life: 6 years 2nd Year: up to 30% 3rd Year: up to 60% 4th year: up to 100%
Converted shares (shares)	1,842,000 shares
Exercised amount (NT$ dollars)	NT$ 69,100,000 dollars
Number of shares yet to be converted (shares)	0 shares
Adjusted exercise price for those who have yet to exercise their rights (NT$ dollars)	34
Unexercised shares as a percentage of total issued shares (%)	0%
Impact on possible dilution of shareholdings	No significant impact

4.5.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

09/14/2018 (Unit: NT$ thousands: thousand shares)

	Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT$)	Amount (NT$ thousands)	Converted Shares as a Percentage of Shares Issued
Executives	Assistant Chairman	Michael Yu	633	0.96	633	34-40	23,520	0.96	-	-	-	-
	Assistant Chairman	Antonio Yu										
	Deputy General Manager	James Zhan										
	Deputy General Manager	Andy Wu										
	Deputy General Manager	Cina-Jin Zhan										
	Deputy General Manager	Cheng-Wen Wang										
Employees	Associate General Manager	Ko-Ming Tu	555	0.84	555	36-40	20,936	0.84	-	-	-	-
	Manager	Shih-Sheng Chang										
	Manager	Chun-Hsing Liao										
	Manager	Chi-Ming Yu										
	Manager	Shen-Po Hsu										
	Manager	Yun-Lung Wu										
	Manager	Hung-Chung Chen										
	Manager	Teng-Mao Yu										
	Manager	Jen-Cheng Liao										
	Manager	Chao-Kai Yeh										

4.6 Restricted Employee Stock Options: None

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None

4.8 Financing Plans and Implementation

As of today, the Company does not have unfinished projects of private equity or securities issuance nor completed projects with low performance in the previous 3 years.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

The Company's operations primary focus on the manufacturing, process, assembling and trading of auto and motor parts and medical equipment.

B. Revenue Distribution

Unit: NT$ thousands

Major Divisions	2016		2017		2018	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motor Parts	3,251,747	78.08%	2,993,826	73.70%	3,135,145	67.95%
Medical Equipment	440,640	10.58%	475,983	11.72%	499,678	10.83%
Recreational Vehicle Parts	370,188	8.89%	540,679	13.31%	858,144	18.60%
Others	102,204	2.45%	51,678	1.27%	121,231	2.62%
Total	4,164,779	100.00%	4,062,166	100.00%	4,614,198	100.00%

C. Main Products

- Auto and Motor Parts: chassis, bodyworks, shields, luggage and other metal related parts
- Medical Equipment: medical beds, patient lifters, and shower chairs
- Recreational Vehicle Parts: motorcycle, snowmobile, jet skies and other recreational vehicle parts

D. New Product (Service) Development

In Taiwan, the Company utilizes the advantage of Taiwan's advanced processing technology to manufacture and export medical equipment. At the factory plant in Vietnam, it is the competitive cost of producing metal parts that provide the leverage for the Company to acquire new orders continuously. Moving forward, we will further build and expand the territory of metal processing on top of the foundation that has been established. With the positive referrals from customer to customer, the quality of our products will soon be widely known to the international markets.

5.2 Market and Sales Overview

5.2.1 Current Status and Future Development

A. Motorcycle Market

I. Development and Structure of Motorcycles

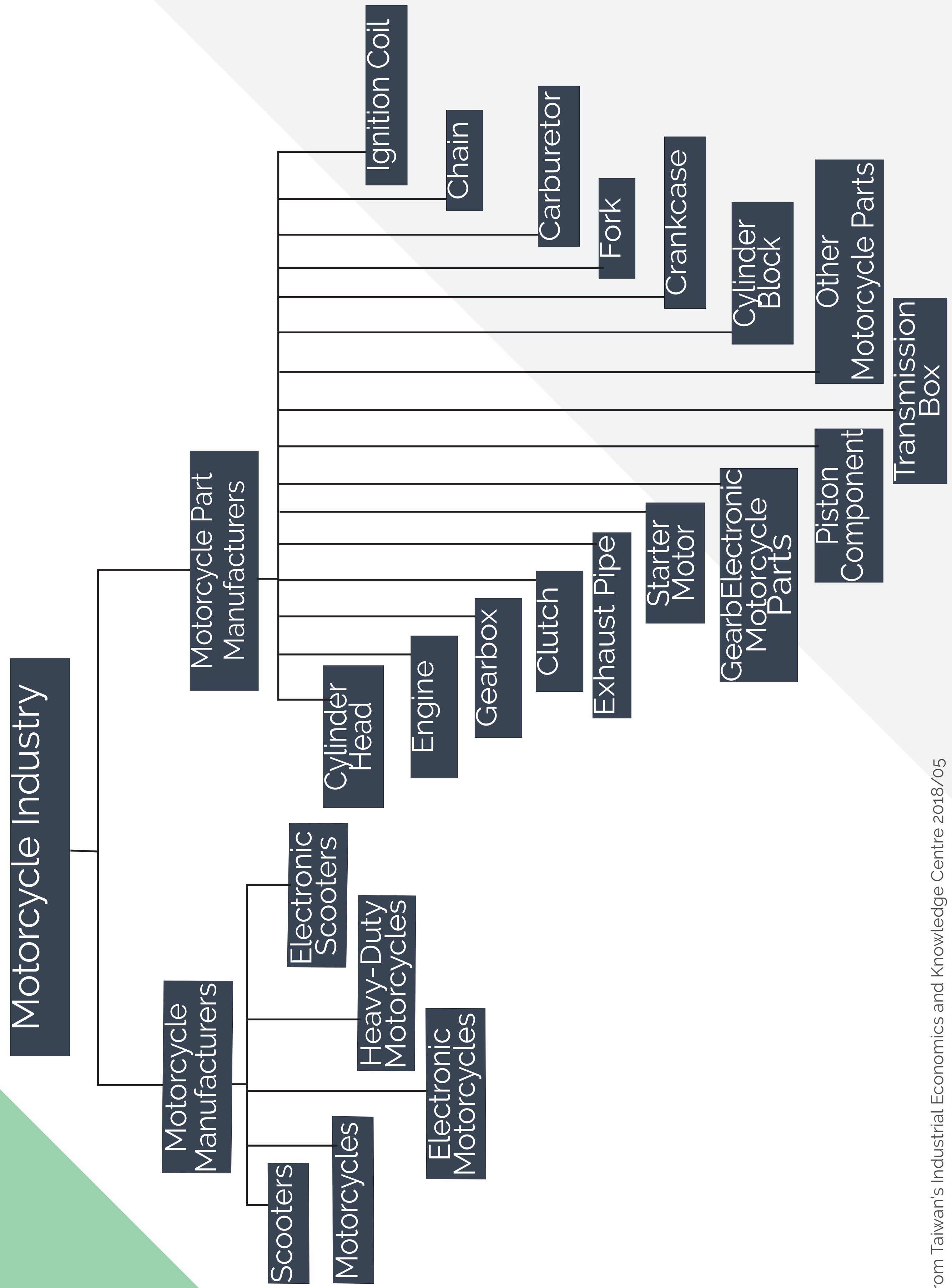
Throughout the history of vehicle development, it started from the first bicycle to the first motorcycle then came the first automobile. When the first motorcycle came out in 1769, it was powered by a steam engine. It was not until 1860 that a gasoline engine was considered practical. During the fast developing 19th century, this type of internal combustion engine was also used in assembling bicycles which served as a motorcycle prototype. In 1883, Gottlieb Daimler, a German engineer, decided to experiment and utilize a four-stroke gasoline engine on a bicycle. Following Daimler's footsteps, Karl Benz, an automobile engineer, invented and patented his idea of adding electric ignition system.

The real breakthrough of the motorcycle evolution; however, did not happen until 1895. Count Albert de Dion and Georges Bouton, pioneers of the automobile industry, designed a new engine and together became the de Dion-Bouton, the world's largest automobile manufacturer for a time in France. During the period of the 1950s, England had the biggest market share of manufacturing motorcycles including BSA, Triumph, Royal Enfield, Norton and the iconic manufacturers such as Matchless and Albert John Steven. However, the English motorcycle industry quickly fell in the 1970s after the people in Japan mastered the efficiency of machinery. By the time, Honda had dominated the market.

In the 21st century, customers were no longer content with motorcycles simply being functional. The vehicles had matured into being both practical and entertaining as riders enjoy the speed and the thrills. This was when sports bikes became largely popular. Manufacturers such as KTM (also known as Kraftfahrzeuge Trunkenpolz Mattighofen), Suzuki Hayabusa and Harley-Davidson were three of the leading businesses. Recently, two-stroke engines have gradually been replaced to help preserve the environment.

Depending on the structural design, body, and purpose, motorcycles are classified into various categories. For example, engines are grouped into either single-cylinder engine or multi-cylinder engine and four-stroke versus two-stroke. Regarding the operations, motorcycles can be divided into automatic or manual transmission vehicle. Based on the volume of engine displacements, they can also be identified as scooters (below 50cc), motorcycles (below 250cc) or heavy-duty motorcycles (above 250cc). Finally, depending on the purposes, motorcycles could be categorized as the following.

Type of Motorcycle	Primary Purpose
Sports Bike	Modeled race car's streamlined exterior, sports bikes are built lightweight for high-speed performance.They are equipped with multi-cylinders and the characteristics of a sports car. Long distance riding could cause severe back pain.
Crusier	Cruisers are assembled with small to medium displacements as these motorcycles aren't built for frequent shifts of acceleration. The riding positions are designed to feed forward and hands up high for the comfort of riding. Typically, there are extra storage space
Standard	Standards are versatile, practical street motorcycles. One of the easily identified characteristics of these vehicles is the upright riding position. For example Honda's CB series.
Scooter	Scooters emphasize their ability to be easily maneuvered with a flat floorboard as a comfortable footrest. They are a more affordable alternative to cars and some of the designs specifically market to female riders.
Commercial Motorcycle	Aside from providing person transport, commercial motorcycles are widely used for shipping in Asia. These types of vehicles are durable and gas-saving.
Choppers	Harley Davidson produced one of the most iconic choppers. They are, typically, designed with high handlebars and raked-out forks. Popularized in the 1960s, they also symbolize a sense of carefreeness. Recently, many Japanese manufacturers launched similar styles to recreate the retro concept.
Electric Motorcycle	Powered by electricity instead of an engine, electric motorcycles are equipped with lead-acid batteries for storage. Shortly, this type of battery could be replaced by the fuel cell for better endurance and higher performance.
Off-Road	Also known as dirt bikes, off-road motorcycles are designed to adapt rough, unpaved surface. The body is typically built lighter and provides a high ground clearance. The tires have knobs to offer more traction. They are also modeled after the designs of MX and Trail.
Personal Water Craft	Commonly referred to a water scooter, the watercraft could be ridden standing or sitting. It's designed with a unique mechanism where if the rider fell off the craft, the string wrapped around the wrist would stop the engine from operating. Inspired by the design of a motorcycle, these scooters initial run on a two-stroke cycle engine.



Sourced from Taiwan's Industrial Economics and Knowledge Centre 2018/05

Manufacturing a motorcycle consists of a wide variety of components. The commonly known parts include the chassis, engine, exhaust system, transmission, steering, suspension and the vehicle body. Motorcycles are primary powered by the engine system while the car chassis supports the engine and links the rest of the components. The exhaust system is closely related to the engine performance. Through the transmission, the power generated by the engine is then delivered to the axle triggering the tiers. This results in a mobile vehicle with the capability of steering. The suspension system, on the other hand, functions as control and stopping on the road. Finally, the motorcycle body is what covers all these parts and beautifies the appearance of the vehicle.

Aside from the body, the designs of the position lamps and the speedometer cables have also been the dominating factor of purchase for the customers. After the motorcycle's been assembled with individual parts, a wire harness has to be installed to serve as the nervous system for transmitting electricity and messages. This is to ensure the rider's safety and a smooth operation.

Operating group factories in both Vietnam and Taiwan, Eurocharm develops tooling and manufactures metal-based motorcycle parts (chassis, brake system components, clutch parts, shock absorbers, engine components, fuel tanks, etc.). Over the past 40 years, the Company has established its significance of being the leading automotive parts manufacturer in Vietnam. The promising quality and the timely delivery have earned Eurocharm the customers' trust and a steady sales growth.

II. Global Industry of Motorcycles

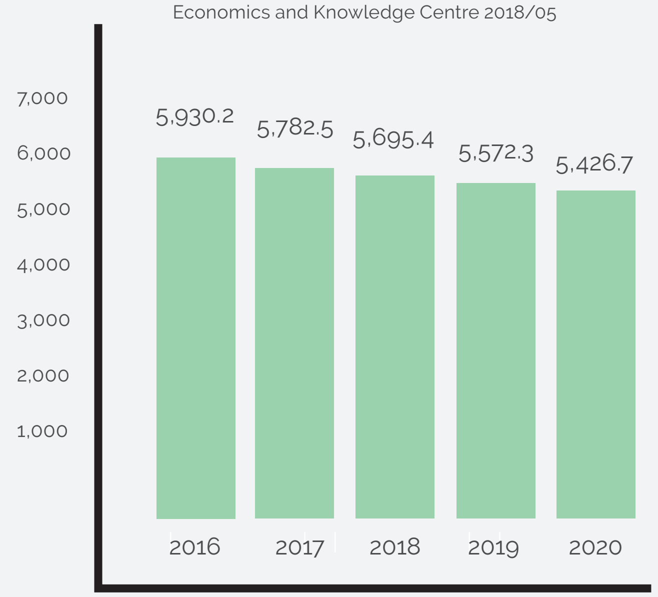
In recent years, Asia has been the world's largest motorcycle consumer. The sales in Asia took up to 80.7% of the global motorcycle sales in 2017. In addition to India, China and Indonesia claiming the first, second and the third place in motorcycle consumption, South-east Asian countries such as Vietnam and Thailand follow close behind. Due to their geographic advantage, Japanese manufacturers have gradually dominated the motorcycle market. These Japanese manufacturers include Honda, Yamaha, Kawasaki, and Suzuki. In Taiwan, San Yang Motor and Kymco are the two major original brand manufacturers (OBM). The rest of the motorcycle manufacturers have entered either original equipment manufacturing (OEM) and partnered with the Japanese manufacturers mentioned above. For those that have not yet joined the supply chain, there is still a possibility of collaboration.

As to the market in China, its conventional fuel motorcycle industry had dropped significantly under the implementation of the national emission standards. This had led to India being the world's largest motorcycle market. Meanwhile, the rapid climate change has raised the world's awareness and concerns for greenhouse gas emissions. One of the solutions of saving this planet we live on is to replace the regular vehicles with ones powered by electricity or ones that meet the emission standard. As a result, the growth of the parts manufacturing industry should maintain the previous rising slope as the primary components will continue to be the same. Countries in North America and Europe may hold potential growth in this electric motorcycle industry with a matured market and steady economy. On the other hand, the demand for motorcycles is gradually rising in Africa and South America as the economy develops along with its transport infrastructure. It is estimated that these two continents will be one of the leading motorcycle markets in the future.

As a whole, motorcycles are widely operated in developing countries due to that they are relatively affordable and easier to maneuver compared to an automobile. The storage compartment also provides the ease of shipping while the convenience to park nearly anywhere makes it an everyday personal transport. Asia, in particular, heavily depends on motorcycles due to its high population density and the lack of public infrastructure. According to Taiwan's Industrial Economics and Knowledge Centre, the estimated 2020 worldwide fuel motorcycle sales will reach 55 million.

However, based on the analysis from Global Motorcycle Market Development, the increasing standard of living will lead to motorcycle buyers converting into automobile buyers. As a result, it is expected that the motorcycle market will begin to show a downward trend. In 2017, the global market sales fell 2.5% in the scale of 57.8 million motorcycles market.

Sourced from Navigant Research (2017) and Taiwan's Industrial Economics and Knowledge Centre 2018/05



WORLDWIDE FUEL MOTORCYCLE SALES

III. Motorcycle Trends in Vietnam

Motorcycles have been the primary means of transportation in Vietnam. This is due in large part to the poor public transit system and the lack of highway infrastructure. In Hanoi and Ho Chi Ming City, the two most populated cities in Vietnam, motorcycles have undertaken more than 80% of the urban transport needs.

The development of motorcycle industry in Vietnam can be divided into 5 periods chronologically, as follows:

Before 1995: Motorcycles are rarely seen, and the people rely on bicycles as their means of transportation. There were approximately 2 to 3 million registered imported motorcycles.

1995 - 1999: Manufacturers such as San Yang Motor and Honda realized the potential of the motorcycle market in Vietnam and began setting up factories for manufacturing and assembling. However, the general public still can't afford to purchase a motorcycle due to the relatively low average income.

2000 - 2002: Motorcycles became a lot more common as China started to import their affordable motorcycles into the market. The industry has seen a rapid growth regarding sales performance During the peak seasons, the motorcycle sales could reach 2 million motorcycles per year.

2003 - 2005: As the new policy from the Vietnamese government in effect to limit the motorcycle registration, the sales performance has seen a substantial decline. In addition, the inferior quality of the Chinese motorcycles have started to show, and the consumers have better and more options. Towards the end of 2015, foreign manufacturers with factories in Vietnam had raised their market share had to 53.6% altogether.

Since 2006: Along with the growth of the economy and the lift of limited motorcycle registration, motorcycle market is gradually recovering. The annual sales in Vietnam are approximately 2 million.

As the average standard of living escalated in Vietnam, the government had made an estimation in 2007 that by 2020, the number of registered motorcycles will increase to 33 million.

B. Medical Equipment Market

Eurocharm manufactures and exports various medical equipment including patient lifts, shower chairs, commode chairs and medical beds to Europe, North American and Japan. According to 2017 BMI's statistics, they predicted the size of medical equipment market worldwide in 2017 would reach US$336 billion based on that it was US$389 billion in 2019.

North America was the largest market for medical equipment consumption in 2017, accounting for 48.7% of the market worldwide. Then, it was Western Europe making up to 23.9%. Asia and the Pacific, ranked the 3rd on the chart, accounting for 20.6% of the global market. Accounted for a 4.3% and a 2.5% are Central & Eastern Europe and the Middle East & Africa. Affected by the currency exchange rate, the Asia-Pacific market has grown from 20.2% to 20.8%. Consequently, the North American market is accounted for about 0.1% less in 2015.

As the U.S. medical system matures and the number of American-led medical equipment manufacturer s increases, the market is foreseen to stabilize. Also, it is expected that under the influence of the steady development of the US dollar, the Americas will still be the first to dominate the major global market in the next few years.

Western Europe remains the second largest market in the world. However, due to their relatively slow economic growth in 2017, the exchange rate of the Euro against the U.S. dollar continues to depreciate significantly. Although Western Europe accounts for six places of the top ten largest aging populations, the economic condition prevents a full scope of medical coverage. It is expected that under the ongoing discussion of the aging issue in Western Europe, the demand for medical care products will continue to develop.

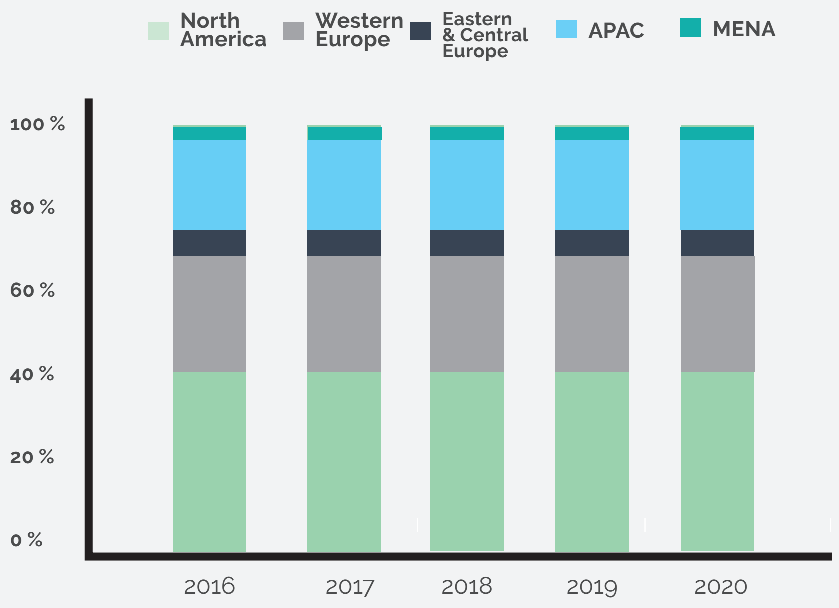
The medical market in the Asia Pacific is still dominated by Japan which accounts for over 40% of the Asian market. The medical market in the Asia Pacific region is still dominated by Japan, which accounts for over 40% of the Asian market. However, in the recent years, the Japanese companies also face industrial challenges within the domestic market. As a result, the willingness to develop into the market in Taiwan and Southeast Asian countries continue to increase. The opportunities for cross-border cooperation is expected to rise consequently.

China, on the other hand, will soon face a critical challenge of an aging population. Affected by the slowing economic development, the growth rate of medical equipment industry is between 6% to 8%. Nonetheless, it still attracts plenty of international manufacturers to set up factories and transnational cooperation due to the Chinese government's policy on strengthening its domestic production. Therefore, the everchanging development of the global medical material chain in China is not to be underestimated.

The medical equipment market can be divided into six broad categories based on the types of products. These categories are medical consumables, radiology products, dental supplies, orthopedics and implants, assistive devices and others. In 2017, the proportion of other types of medical products was still the highest, about 28.4%, a slight increase of 0.2% compared with 2015. Followed by diagnostic imaging products, accounting for approximately 24.8%, which was the largest single category, compared to 2015's 24.6%, a slight increase of 0.2%. Medical consumables accounted for about 15.5% which is a slight decline of 0.2% relative to the 15.7% in 2015. Assistive devices accounted for 12.4% and faced a small drop compared to the previous year's 12.5%. Orthopedics and implant products accounted for 11.7%, compared with 11.9% in 2015, a slight decline of 0.2%; and dental products accounted for approximately 7.1%, similar to the development in 2015.

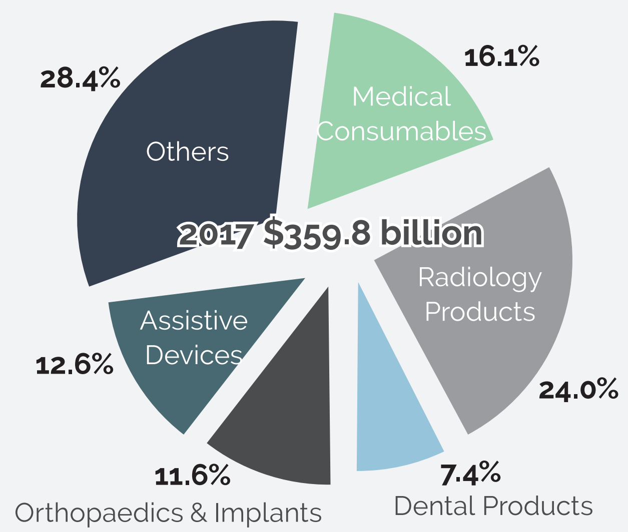
GLOBAL MARKET DISTRIBUTION OF MEDICAL EQUIPMENTS

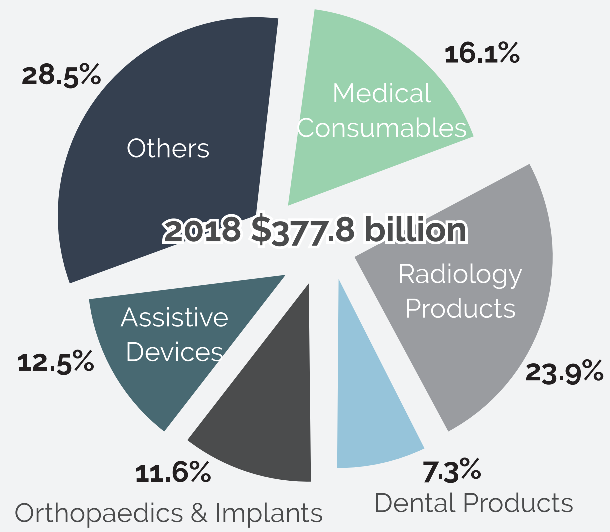
Sources: Espicom BMI (03/2017); IEK (05/2017)



In 2017, the growth rate of diagnostic imaging products was relatively high, which also affected the global distribution of products. Taking the United States as an example, the annual growth of diagnostic imaging products in 2017 was 3.94% due to the elimination of old products and the launch of new products. As a result, the market value grew by US$163 million, and the number of MRI and PET continues to increase. Japan's diagnostic imaging products also increased from US$6.84 billion in 2015 to US$7.87 billion in 2017. This relatively high growth rate was mainly caused by the country's weak economic condition and exchange rate in 2015. Judging from the global industrial and economic development trend, the United States is still a critical area that affects the development of the overall industry. The layout of manufacturers and the growth of the market play a significant role and remain one of the predicting focuses.

Sources: Espicom BMI (04/2018); IEK (05/2018)





5.2.1 Current Status and Future Development

Motorcycle Industry

Eurocharm's products belong to the middle stream of the industry as the Company manufactures chassis and parts. Downstream in the motorcycle industry refers to the assembled and ready-for-sale motorcycles. With a broader definition, the middle stream can range from building engines to tire productions. Upstream is primary the manufacturing of components for the middle stream products. See the illustrated table below.

Upstream	· Bearing · Variable Speed Wheel · Differential · Cogwheel	· Spark Plug · Valve · Valve Guide · Carburetor	· Rotary Tuner · Engine CrankshaftSeal · Fuel Pipe	· Brakes · Bearing Ball ·Sterringsteam
Middle Stream	· Engine System · Transmission	· Steering System · Body Frame System	· Brake System	· Tire-Pressure Monitoring System ·CommonParts
Downstream	Motorcycle			

SourcedfromTaiwan'sIndustrialEconomicsandKnowledgeCentre2011/04

5.2.3 Product Trends

Motorcycle Industry

As the issue of global warming and air pollution continues to simmer, automotive manufacturers are launching environmental-friendly products to help preserve the planet. With the current research and development towards advanced technology, the automotive manufacturers are exchanging ideas with their long-term suppliers who are the parts manufacturers. This is beneficial to both the upstream and middle stream companies as they can apply newly developed technologies to manufacture higher quality products and at the same time, reduce the processing waste to ease off the pollution.

In addition, the demand for motorcycles has been rising over the years as countries in Southeast Asia starting to develop economically. Manufacturers such as Honda, Yamaha, Piaggio, and Suzuki had already taken this opportunity to invest in factory establishments and the relatively cheap labor costs in Southeast Asia. Besides supplying the motorcycle needs domestically, the factories also export to neighboring countries with the country's competitive shipping cost.

A few of the fast-growing countries in Southeast Asia including Indonesia, Vietnam, and Thailand are valued as markets with the most potential. Their economy and public infrastructures are maturing and would allow them the capacity to consume motorcycles. In Vietnam, Eurocharm has established its place for being the major motorcycle parts supplier. Besides seeking other potential markets for export or investment, the Company has begun to shift its focus from trading domestically to shipping the products internationally. Along with the idea of Association of Southeast Asian Nations (ASEAN), Eurocharm wishes to increase its competitiveness by adding more machinery such as the laser 3D cutting system to enhance the product quality.

Upstream

Electronic, plastic and hardware parts

Middle Stream

R&D and Manufacturing of Medical Equipments

Down Stream

Sales agents and wholesalers of medical equipments

Sourced from Taipei Exchange (TPEx)

Medical Equipment Industry

Eurocharm is considered a middle stream manufacturer in the medical equipment industry. The Company manufactures and exports the equipment to original brand manufacturers.

Medical Equipment Industry

Influenced by the increasingly aging population, equipment such as hearing and mobility aids are popular among seniors with self-care capability. Issues associated with sub-replacement fertility also continue to affect world's population structure. Also, due to the shortage of labors and caretakers, the demand self-care medical devices and equipment will continue to surge.

On the other hand, the rising population of the United States and China's elderly population has made Medicare the fastest-growing project for medical expenses. It is expected to reach 22% of the total government spending in 2023. From 2016 to 2023, the compound growth rate is estimated to be up to 7.3%. Diseases such as cardiovascular disease, hypertension, diabetes, osteoarthritis and so on are all the primary medical expenditures that will affect the medical supply market demand.

With regards to Japan's aging population, according to the numbers from the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan, as of October 1, 2017, the proportion of people over 65 years of age has reached 28.1%. It is estimated that by 2055 the number of people over the age of 65 will increase to 41% of the total population, which has become a substantial economic burden.

In addition, the total population of Japan in 2015 was ranked ninth in the world with 120 million people. The average GDP per capita was US$36,000, and the average medical expenditure per person was US$3,420. Advanced urbanization and highly developed healthcare In the system, medical expenditures accounted for 10.3% of the total GDP, making Japan continue to be the largest Asian medical equipment market

The Company's primary target markets for medical equipment are advanced countries such as Japan and Europe and the United States. Therefore, the policies for medical care in these markets are conducive to the sales growth of medical equipment in the future

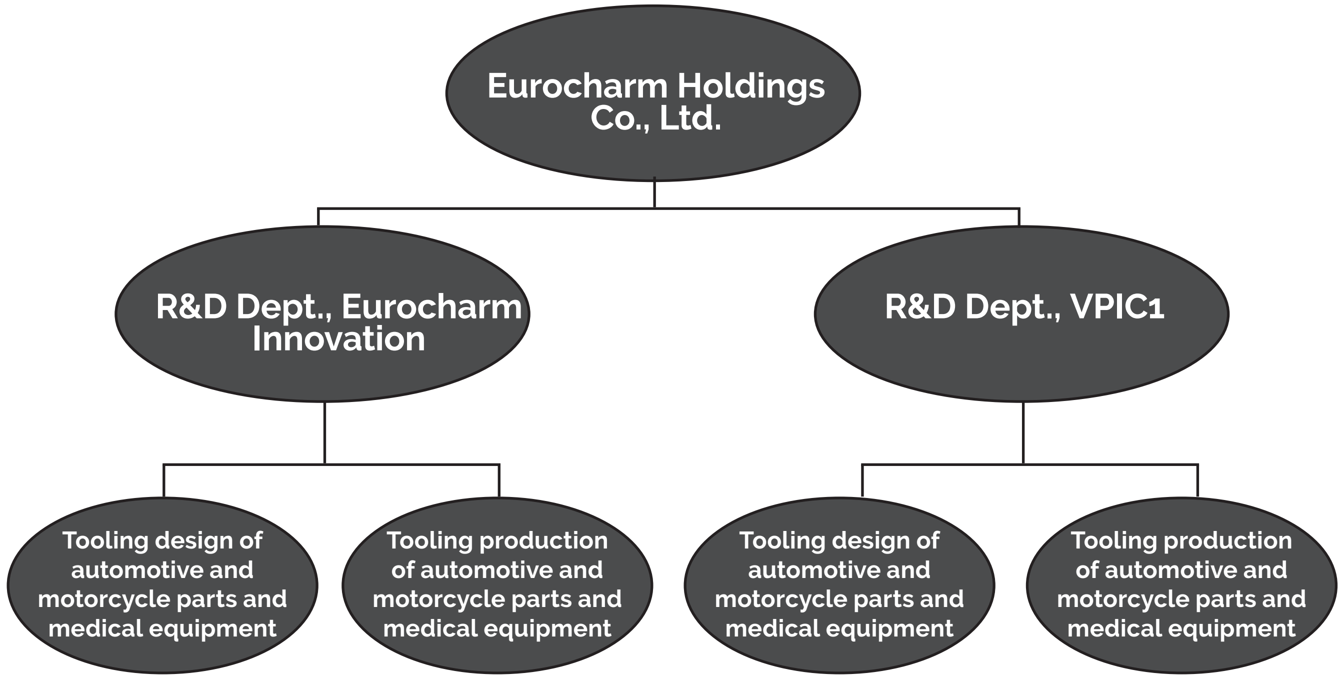
5.2.4 Competition

As the Company's principal business in Vinh Phuc Province, Vietnam is automotive and motorcycle parts manufacturing, there are two major domestic competitors, Cosmos Industrial Co., Ltd and Kyoei Manufacturing Co., Ltd. Established in 2005, Cosmos produces metal components in the same province. Kyoei, headquartered in Japan, manufactures motorcycle and recreational chassis locally in Vietnam.

In the medical equipment department, Eurocharm's major competition which also manufactures medical beds, rails and lifts in Taiwan is Li Wei Co., Ltd. Founded in 1994, Li Wei operates facilities in both Taiwan and China.

5.2.5 Research and Development

Eurocharm aims to provide higher efficiency in processing technology and better quality products. Since the product designs and the specifics are customized according to each customers' request or directly passed down from the customers, the Company's research and development (R&D) department focuses on reducing production cost and the processing time. The team specializes in the development of measuring tools, fixtures and robotic arm machinery. Additionally, Eurocharm cooperates with its customers and suppliers to deliver further technical training and workshops for employee development.



R&D Team

Unit: Person

Education \ Year	2015	2016	2017	2018
PhD Degree	-	-	-	-
Master Degree	1	1	1	1
Undergraduate Degree	45	47	57	63
College Degree	32	33	34	33
Total	78	81	92	97

R&D Expenses in Previous 5 Years

Unit: NT$ thousands: %

Category/ Year	2014	2015	2017	2017	2018
R&D	34,065	38,369	42,991	51,192	45,968
Net Revenue	3,798,622	4,008,187	4,164,779	4,062,166	4,614,198
%	0.90	0.96	1.03	1.26	1.00

R&D Achievements in Previous 5 Years

Year	Achievement	Description
2014	Reduced Production Cost	Purchased a 3D laser cutting machine to increase production flexibility and reduce tooling cost
2015	Better Product Quality	Purchased a laser cutting system to increase manufacturing precision for luxurious vehicle parts
2017	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2017	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2018	Improved Production Efficiency	Imported automated processes for stamping and polishing; utilized 3D laser cutting on a larger scale

Eurocharm introduced new robotic arms and the production of iron and aluminium wires. With this investment, the Company plans to elevate the manufacturing automation and enhance the productivity of the machinery. As for the development in medical equipment production, the Company plans to move into the market of ODM from OEM. Budgeted NT$10,000,000 (not to exceed), Eurocharm intends to develop its own medical equipment brand and market via existing customers.

Business Development Plan

Short Term:

A. Increase existing customers' order numbers, as well as, seek for new customers

B. Develop niche markets for higher profits, i.e. recreational vehicles

C. Improve productivity and provide better product consistency

D. Raise the Company's viability and attract talents via joining the capital market

Long Term:

A. Continue to invest in research and development to diversified product lines and stay competitive

B. Expand operating locations to best serve existing customers and explore potential markets

C. Reach out to potential European customers and move towards globalization

D. Enhance product development capability and integrate resources from customers and suppliers for the business to be mutually beneficial

5.2.6 Market and Sales Overview

I. Market Analysis

Main Products and Sales Regions

Unit:NT$thousands

Sales Regions	2016		2017		2018	
	Amount	%	Amount	%	Amount	%
Vietnam	3,084,786	74.07	2,764,397	68.05	2,938,268	63.68
Others	1,079,993	25.93	1,297,769	31.95	1,675,930	26.32
Total	4,164,779	100.00	4,062,166	100.00	4,614,198	100.00

II. Market Share

• Motorcycle Industry

Based on the 2018 total approximate sales of NT$ 134 billion from Vietnam's five largest motorcycle manufacturers and Eurocharm Group's 2018 motorcycle parts sales of NT$ 3.14 billion, the Group's motorcycle market share in Vietnam is approximately 2.34% (average sell price at NT$40,000).

• Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2017 is worth US$ 359 billion, and the assistive equipment takes up to 12.6% of the market share. Since Eurocharm Group's 2017 medical equipment sales are US$ 499 million, the Group's global market share is approximately 0.046%.

III. Supply, Demand and Future Growth

• Motorcycle Industry

Compared to the numbers in 2017, the motorcycle market in Vietnam has recovered with the total sales of 33.5 million motorcycles in 2018 from the largest five manufacturers. Besides the demand for fuel motorcycles, there has been a steady increase in electric motorcycle sales. Along with the growth of demand in recreational vehicles in North America and Europe, Eurocharm's sales performance will continue to thrive.

Recently, Vietnam's Ministry of Transport had passed Bill No.39/2013/TT-BGTVT and No. 41/2013/TT-BGTVT to regulate the technical standards and safety of electric vehicles.The two provisions came into effect on January 1, 2014. With the insurance that all the electric vehicles produced after 2014 are subjected to comply the regulations, the younger consumers are encouraged to purchase electric motorcycles for short-distance transport within the city where there will be easily accessed charging stations. Eurocharm is prepared to enter the market of electric vehicle components to respond to market changes.

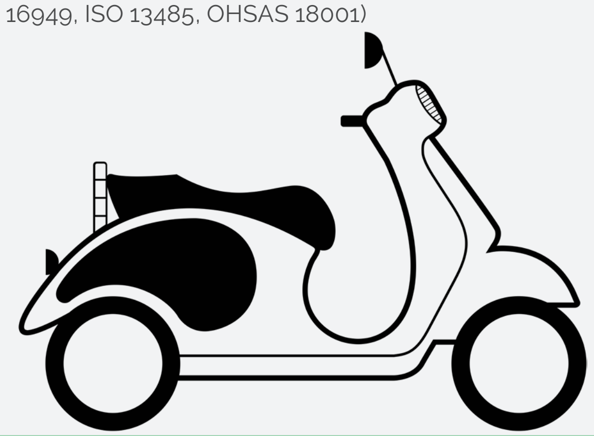
• Medical Equipment Industry

The current ten largest medical equipment markets are the United States, Japan, Germany, China, France, England, Italy, Canada, Russia, and Brazil. Among the top ten countries, undoubtedly; the United States holds the world's biggest market. As the government continues to promote public healthcare along with the increasing number of people purchasing an insurance plan, the medical equipment market appears to be an uprising slope. It is estimated that in 2020, the US market will reach approximately US$178.7 billion. However, since the health parity act has been in effect, various medical equipment are at risk facing price cutting. Cost-effective products have become preferable to the consumers. As a result, there will be a shift in market shares and brand images. For Eurocharm, this is a great opportunity to expand our customer base as the medical equipment manufacturers look for new suppliers for cost cutting.

Closely following the size of the US medical equipment market is Japan's, the demand for orthopedic aids and assistive equipment is climbing at a steady growth rate due to the aging population. Meanwhile, in Western Europe, Germany has the largest market demand when it comes to medical equipment. The total sale of medical supplies was US$ 26.59 billion in 2017. These are Eurocharm's current target markets because of their growing demand for medical equipment.

IV. Competitive Niche

- Diversified product lines to satisfy the demand for one-stop purchasing
- Mass production for cost-effective and competitive products
- Globalization vision with product management and investment in improved automated production
- Trusting employee relations and high productivity
- Well-maintained long-term partnerships with customers
- International certification (ISO9001, ISO14001, ISO/TS 16949, ISO 13485, OHSAS 18001)



V. Foreseen Favourable and Unfavourable Factors and Countermeasures

Favourable Factors

A. Motorcycle Industry

1. The infrastructure in Vietnam is still at the development stage. The day-to-day transport relies largely on motorcycles.

Due to the postwar baby boom, Vietnam has the youngest population in Asia with approximately 70% of the population between 15-64 years old. The median population is 28 years old. With the country's lack of complete infrastructure and public transport system, motorcycles have become most of their means to commute.

2. The scale of ASEAN economy continues to grow along with the demand for motorcycles.

Founded in Bangkok on August 8, 1967, Association of Southeast Asian Nation (ASEAN) was established with the primary objective to accelerate the economic growth of the participated countries. It is to promote stability and peace among countries and respect one another's laws and regulations.

Since then, countries including Singapore, Thailand, Cambodia, Indonesia, Malaysia, Vietnam, Brunei, Myanmar, Laos and the Philippines have joined and benefited from the organization. In 2010, the ASEAN-China Free Trade Area (ACFTA) came into effect which allows the ASEAN members to trade with People's Republic of China at reduced tariffs. The potential market is estimated to reach NT$ 2 trillion

According to the Vietnamese Ministry of Industry and Trade information Centre, ASEAN has become an important trading partner of Vietnam. The average annual trade volume has grown 17% in recent years. Also, the trade amount between Vietnam and ASEAN has preceded the amount between Vietnam and outside ASEAN countries including European Union, Japan, and the United States. It is a positive prospect for ASEAN to reach other free trade area agreements for mutual trading benefits. Eurocharm aims to take full advantage of this and export products outside of the market in Vietnam.

3. Eurocharm possesses an extraordinary management team.

Eurocharm has rooted in Vietnam for over 10 years. The management team has a keen eye for market forecast and can strategize and adapt to the market changes swiftly. In addition, the Company has the industry's leading tooling design and stamping technology. Along with the trusted service and quality, Eurocharm received the Ford Q1 Quality Certification.

B. Medical Equipment Industry

1. Due to the aging population, the demand for medical assistive equipments continues to increase.

As the distribution of population shifts towards older ages, governments across the world have been establishing long-term care facilities, nursing homes, and retirement homes. This then, indirectly, increases the demand for related medical equipment including shower chairs and medical beds.

2. American and Japanese medical equipment markets continue to expand as the government implements healthcare supporting polices.

These new policies to promote quality yet affordable healthcare include social insurance programs such as Medicaid and Medicare. In Japan, the federal government had budgeted US$ 4.1 billion to help with the increasing medical expenditure.

Unfavourable Factors and Countermeasures

A. Motorcycle Industry

1. The growth in Vietnam's motorcycle market has slowed.

In recent years, manufacturers have been expanding their factory capacity in order to stay competitive. The result is an approximate production number of 5 million motorcycles per year in Vietnam alone. This reveals that the local motorcycle market has already been saturated and the manufacturers intend to move into exporting for a stable sales performance.

Countermeasures:

Besides exporting automotive and motorcycle parts as a source of income, Eurocharm also coordinated with Honda, Yamaha and Piaggio to explore completely built up (CBU) automobile export opportunities. In 2017, the number of CBU automobiles, from the three manufacturers, imported in Taiwan reached 300 thousand. Relatively, since the exported products are CBU automobiles instead of parts, the standard for quality control is also much higher. As Eurocharm continues to deliver on quality and reliability, customers, likewise, began to invest trust in the Company.

2. The core product design capability still lies in the hands of OBMs.

At the current stage, Eurocharm is an original equipment manufacturer (OEM). The original product designs are provided by the original brand manufacturers (OBM). Capable of manufacturing and processing according to customers' designs, the Company, however; does not have the necessary talents to develop engineering designs.

Countermeasures:

In upcoming years, Eurocharm is prepared to strengthen the R&D department with product design capability. Joining forces with the customers, the Company plans to install drawing design facilities and software to develop and test new products. This integration will not only benefit the Company in profits but also reinforce our place as a leading automotive and motorcycle manufacturer in Vietnam.

3. The cost of largely imported raw materials could be fluctuated by the exchange rate.

To ensure the quality of the automotive and motorcycle parts, Eurocharm's raw materials are supplied by customer certified supplier. As a result, this US dollar denominated imported materials could influence the pricing of the products sold in Vietnamese dollars greatly as the exchange rate fluctuates.

Countermeasures:

In 2017, Eurocharm began domestic procurement along with importing customer certified raw materials. The ratio of local raw materials has gradually increased from 50% to 80%. Due to this shift, the exchange rate has only minimal effect on Company's operation cost. In addition, with the unified purchase system every quarter, the Company is able to easily manage materials and reduce the risk of running low or waste.

B. Medical Equipment Industry

1. The Company juggles between producing high-quality refined medical equipments while competing with low-quality affordable products.

After the financial crisis in 2008, most countries are unable to support medical expenses as much as they used to. Under the pressure of limited budget, health care institutions gradually move towards importing equipment from China which is relatively cheaper.

Countermeasures:

Eurocharm's medical equipment are supplied to a niche market which specializes in long-term home care or patient care. The customers are located in various developed countries including France, Japan, and the United States. Under the circumstances that the target markets are consumers in economically developed countries, the product quality is considered more important than price competitiveness. From the sales growth year after year, it is believed that the customers trust and rely on Eurocharm's products.

Also, as the minimum wages and social insurance expenditure increase in China, Eurocharm has a comparative advantage manufacturing medical equipment in Vietnam. If the competition chooses to source cheaper materials, it should eventually reflect on the quality of the equipment. Additionally, the Company has the capacity of developing medical equipment tooling which sets it apart from the rest of competition. Eurocharm has, on various occasions, co-developed with customers or self-developed tooling or products.

5.2.7 Production Process and Major Uses of Primary Products

• Major Uses of Primary Products

Primary Products	Major Uses
Automotive and Motorcycle Parts	Chassis, brake system parts, clutch parts, shock absorbers, engine components, fuel tanks and others
Medical Equipments	Medical beds, patient lifting, shower and commode chairs

• Production Process of Primary Products

Automotive and Motorcycle Part

Bending → Punching → Chamfering → Forging → Polishing → Plating or Painting → Shipping

Aluminum Die Casting

Ingot → Heating → Casting → Forming → Polishing → CNC Machining → Painting → Shipping

Medical Equipment

Bending → Purchasing → Chamfering → Forging → Polishing → Painting → Assembly → Shipping

5.2.8 Condition of Raw Material Suppliers

Primary Raw Material	Primary Supplier	Supply Condition
Iron Plate	CompanyA'sSubsidiary,Vulcan,HanoiSteel Centre, CSMV, VNTEC, SMC	Good
Iron Pipe/Iron Bar	Company A's Subsidiary, Vulcan, Xin Yong Cheng	Good
Aluminum Ingot	Company A's Subsidiary, Company B's Subsidiary	Good

5.2.9 Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Honda Trading	432,717	17.50	None	Honda Trading	386,031	12.67	None	Honda Trading	95,141	11.91	None
	Others	2,040,173	82.50		Others	2,660,387	87.33		Others	703,522	88.09	
	Net Purchases	2,472,890	100.00		Net Purchases	3,046,418	100.00		Net Purchases	798,663	100.00	

Note: Net purchases are net purchases of consolidated financial statements for the latest year.

5.2.10 Major Customers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2017				2018				2019 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	1,964,550	48.36	None	A	2,094,859	45.40	None	A	506,203	37.75	None
2	B	429,195	10.57	None	C	523,367	11.34	None	E	225,076	16.79	None
3	C	304,750	7.50	None	D	261,375	5.66	None	D	84,950	6.33	None
	Others	1,363,671	33.57		Others	1,734,597	37.60		Others	524,671	39.13	
	Net Sales	4,062,166	100.00		Net Sales	4,614,198	100.00		Net Sales	1,340,900	100.00	

Note: Net sales are net sales of consolidated financial statements for the latest year

5.2.11 Production in the Last Two Years

Unit: NT$ thousand piece

	2017			2018		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	105,007	99,262	2,997,386	102,627	97,203	3,373,324
Medical Equipment	513	495	386,215	554	536	407,188
Others	899	843	60,158	1,824	1,740	198,179
Total	106,419	100,600	3,443,759	105,005	99,479	3,978,691

5.2.12 Shipments and Sales in the Last Two Years

Unit: NT$ thousand piece

	2017				2018			
	Local (Vietnam)		Export		Local (Vietnam)		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
MotorcycleParts	91,311	2,712,973	4,484	280,852	86,770	2,845,595	4,326	289,550
Medical Equipment	-	-	519	475,983	-	-	552	499,678
Others	540	51,591	2,551	540,767	70	92,673	4,548	886,702
Total	91,851	2,764,564	7,554	1,297,602	86,840	2,938,268	9,426	1,675,930

5.3 Human Resources

Unit: person; year; age

Year		2017	2018	2019 (As of March 31)
Number of Employees	Direct Labour	2,672	3,024	3,207
	Indirect Labour	846	882	876
	Total	3,518	3,906	4,083
Average Age		30.28	31.21	31.36
Average Years of Service		6.47	6.40	6.20
Education	Ph.D.	-	-	-
	Masters	6	7	7
	Bachelor's Degree	283	306	308
	CollegeorBelowHighSchool	3,229	3,593	3,768

5.4 Environmental Protection Expenditure

A. According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made.

Pollution Control Facility and Pollutant Discharge Permit

Acquired Organization	License	Acquired Date	License Number
VPIC1	Approved Environmental Impact Assessment	04/29/2003	1462/QD-CT
	Approved Environmental Impact Assessment	06/30/2011	1515/QD-CT
	Approved Environmental Impact Assessment	08/26/2013	2289/QD-UBND
	Wastewater Discharge Permit	03/06/2007	700/GP-UBND
	Hazardous Waste Producer Registration	11/12/2013	QLCTNH26.000010.T

Above licenses do not specify dates of expiry. Aside from following the waste disposal guidelines, Eurocharm in Taiwan is not required to install pollution control facility or apply for a pollutant discharge permit because the Company does not produce pollution during the production process.

Pollution Control Expenses

When VPIC1 first established its operating facilities in Khai Quang Industrial Zone, the Company had agreed to pay wastewater treatment fee. In 2018, the Company paid a total of NT$2,439 thousand.

B. Setting forth the Company's investment in the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced.

12/31/2018; Unit: VND$ millions

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
1	Wastewater Treatment Plant	3	01/2011 05/2013	1,188	220	Wastewater Treatmen
2	ElectroplatingWastewaterTreatmentSystem	1	11/2004	3,249	0	Wastewater Treatmen
3	Wastewater Treatment System	3	12/2002 02/2005 08/2006	3,388	0	Wastewater Treatmen
4	Wastewater Treatment System	2	2018	7,274	7,234	Wastewater Treatmen

A. Describing the process undertaken by the company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus' publishing date. If there had been any pollution dispute, its handling process shall also be described.

None

5.5 Labor Relations

Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees.

This is the English translation. In case of discrepancies between the Chinese Text and the English translation, the Chinese text shall prevail. Annual Report 2018

1. Employee Welfare Measures

Eurocharm values employees as valuable assets and they key to a successful business. In order to fully take care of the employees, the Company has established the following welfare measures:

For the employees employed at the subsidiary in Taiwan, Eurocharm provides the mandatory health and labor insurance in accordance with the Labour Standard Law in Taiwan as well as travel and accident insurance for the employees going on business trips. In addition, the Company has set up a system for individual retirement accounts to protect employee benefits.

For the employees employed at the subsidiary in Vietnam, Eurocharm provides the mandatory medical and unemployment insurance by the Labour Law in Vietnam. In addition, the Company has established a periodic evaluation for promotions, salary adjustments, and bonuses as an incentive to raise overall productivity and performance. On special occasions or holidays, the Company collaborates with the trade union hosting activities and dinner parties for employee entertainment.

2. Advanced Education and Training

Eurocharm regards employee training as highly as the attitude of an employee. In order to accomplish better productivity, both the onboarding training and on-the-job training are essential.

A. Onboarding Training

All the newly hired employees are subject to attend onboarding training. The training includes understanding the Company's history, culture, management, safety, workplace environment, production process, quality control and regulatory, legal content.

B. Onboarding Technical Training

Newly hired technical specialists or employees with responsibilities of potentially dangerous attributes are required to attend onboarding technical training and pass the necessary examinations.

C. On-the-job Training (Including higher management)

The Company, periodically, provides external training program or educational TV programs for the employees and executives.

D. On-the-job Technical Training

Aside from the foundation of onboarding technical training, additional on-the-job technical training is provided to employees to enhance their current level of skills.

3. Finance Related Certifications & Licenses

There had been no occurrence of license acquirement in 2018.

4. Retirement System and Implementation Status

In Taiwan, the Company follows closely with the Labour Standards Act in accordance with regional laws and regulations. Under the system, Eurocharm contributes 6% or more of a worker's monthly wage into an individual pension account overseen by the Bureau of Labor Insurance.

At Eurocharm's operating base in Vietnam, the Company has been paying social insurance fees on a monthly basis to the local institution. Once the employee has reached the legal retirement age, s/he is entitled to the pension.

5. Labour-Management Agreements

In addition to labor contracts concluded in accordance with relevant laws after employees assume their duties, the Company has also established a grievance channel via email and a labor union to provide open communication channels between labor and management.

6. Code of Conduct and Ethic

The Company safeguards employee rights and interests in accordance with the law and has formulated welfare management guidelines that clearly state various benefits, rights, and interests. Actual implementation is based on these guidelines,

A. All employees should be responsible and comply with the Company's policies, regulations, and measures.

B. All employees should protect the company's honor and work with your correspondent teams with Company's interest as the priority.

C. All the managers should be the role model and provide the necessary guidance. The staff should listen and obey the command given by the supervisors instead of making excuses for misbehaving conducts.

D. Employees are not allowed to leave work stations without approval.

E. All employees should report to the correspondent managers based on the company's hierarchy, except emergencies.

F. Employees are not permitted to photograph, film or record within the premises of the company.

G.All employees are subject to the trade secret, non-competition and intellectual property law. Employees may not leak confidential information directly or indirectly for personal interest or the interest of others.

H. All employees are subject to comply the relevant business laws and regulations.

I. Employees should not behave in any way that can damage personal or Company's reputation.

J. Employees should not accept bribery of any form including but not limited to money, gifts and irrelevant invitations.

K. Employees are not authorized to utilize the name of the Company except handling sales related matters.

7. Personal Safety Measures and Work Environment

A. For the safety of the employees, the Company has covered labour, health and group insurance.

B. The Company's labor safety and health committee holds quarterly meeting to discuss and implement the relevant policies and regulations

C. For a safe working environment, the periodic maintenance is implemented on relevant facilities including the fire hydrants.

D. The Company provides basic health and safety training to all the employees and professional workshops for operational managers who are responsible for specialized machinery and equipment.

E. The Company supervises the investigation and statistics of the occupational accidents within the organization.

Describing the loss suffered by the Company due to labor disputes occurring in the most recent 2 fiscal years and up to the prospectus' publishing date, and disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures. If a reasonable estimate cannot be made, an explanation of why it cannot be made shall be provided.

The Company's labour disputes are primarily caused by mishandling of the equipment and traffic collisions while employees travel to work. All the past and current disputes have been settled and compensated. A number of compensations are minimal and does not affect the Company's overall operation.

5.6 Important Contracts

Borrower	Lender	Contract Commencement/ Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Holdings Co., Ltd.	Yuata Bank	07/26/2018-07/25/2019	US$ 3 million	Credit loan	None
Eurocharm Innovation	First Bank	03/20/2019-03/19/2020	NT$ 160 million	Provided NT$80 million Eurocharm Innovation's fixed assets as guarantee and NT$80 million guarantor, Eurocharm Holdings Co., Ltd.	None
APEX	Yuata Bank	07/26/2018-07/25/2019	US$ 3.5 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	SinoPac	04/16/2018-12/31/2018	US$ 3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Bangkok	03/31/2016-03/31/2026	US$ 2 million	Raw materials and other capital needs	None
VPIC1	CTBC	10/26/2018-10/26/2019 (Automatically renewed for another year)	US$ 3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Vietin Bank	05/18/2017-05/10/2019	US$ 5 million	Provided inventory and receivables as guarantee	None

5.6.2 Sales Agreement

Supplier	Purchaser	Contract Commencement/ Termination Date	Agreement	Restrictive Clauses
VPIC1	Honda Vietnam Co., Ltd.	06/05/2009 (Automatically renewed)	General Agreement for Purchase of Parts	Confidential
VPIC1	Yamaha Motor Vietnam Co., Ltd.	01/05/2003 (Automatically renewed)	Supply Agreement	Confidential
VPIC1	Exedy Vietnam Co., Ltd.	02/09/2006 (Termination will only be decided upon writing by both parties	Supply Agreement	Confidential
VPIC1	Kyoei Manufacturing Vietnam Co., Ltd.	04/21/2004 (Automatically renewed)	General Agreement for Sale and Purchasing	Confidential
VPIC1	Piaggio Vietnam Co., Ltd.	11/05/2007 (Automatically renewed)	General Purchase-Supply Agreement	Confidential
VPIC1	Nissin Brake Vietnam Co., Ltd.	09/15/2008 (Automatically renewed)	General Agreement for Purchase of Parts	Confidential
VPIC1	FranceBed Co., Ltd.	07/28/2010 (Automatically renewed)	General Agreement of Trade	Confidential
VPIC1	Piaggio & C.S.P.A.	07/11/2012 (Perpetual Contract)	General terms of Purchaes	Confidential
VPIC1	Honda Italia Industriale S.P.A.	03/31/2015 (Automatically renewed for another year)	Supply Agreement	Confidential
VPIC1	Polaris Industries Inc.	12/05/2014 (Perpetual Contract)	Master Supply Agreement	Confidential

5.6.3 Purchase Agreement

Supplier	Purchaser	Contract Commencement/ Termination Date	Agreement	Restrictive Clauses
Honda Trading Vietnam Company Ltd.	VPIC1	05/01/2011 (Automatically renewed)	Retaining Sale and Purchase Agreement	None
Hanoi Steel Centre Company Ltd.	VPIC1	01/03/2014 (Automatically renewed)	Principle Contracts	None

5.6.4 Lease Agreement

Lesse	Lessor	Contract Commencement/ Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	Shen Yuan Metal Co., Ltd.	01/16/2018-01/15/2020	NT$ 168 thousand/month	Rent the land and building at No.10 , Lane 315, XinShu Road,XinZhuang District, New Taipei City, Taiwan 242	None
Exedy Vietnam Co., Ltd.	VPIC1	01/01/2017-12/31/2017 (Automatically renewed for two years)	Section A: VN$ 682,157/ square meter/year Section B: VN$249,249/ square meter/year	Lease VPIC's facilities and factory to Exedy Vietnam Co., Ltd.	None
Hsieh Yuan Technology Vietnam Co., Ltd.	VPIC1	12/31/2011 (Additional contract signed on 12/30/2013)	VN$56,846/square meter/ year	Lease VPIC's facilities and factory to Hsieh Yuan Technology VietnamCo., Ltd.	None
Northstar Precision Viet Nam Co., Ltd.	VPIC1	08/01/2018 - 08/01/2019	First 2 years: VN$886,074/ square meter/year After 2 years: VN$653,870/ square meter/year	Lease VPIC's facilities and factory to Northstar Precision Viet Nam Co., Ltd.	None

5.6.5 Insurance Contract

Insured	Insurance Company	Contract Commencement/ Termination Date	Agreement	Restrictive Clauses
Eurocharm Innovation	MSIG Ming Tai Insurance	12/23/2018 - 12/23/2019	Property Insurance of NT$ 3.5 million	None
VPIC1	Petrolimex Insurance Corp.	07/12/2018 - 07/11/2019	Inventory Insurance of VN$ 424,781,052,975	None
VPIC1	VinhPhucBao Minh Co.	12/01/2018 - 11/30/2019	Fire Insurance of VN$ 173,915,234,189	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	08/02/2018 - 08/01/2019	Personal Accident Insurance of 3,438 employees	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	07/31/2018 - 07/31/2019	Foreign employee personal insurance	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	11/30/2018 - 11/30/2019	Fire Insurance of VN$ 442,607,489,026	None
VPIC1	Vietin Bank Trang An Insurance Company - Hanoi Branch	11/30/2018 - 11/30/2019	Inventory Insurance of VN$ 199,699,744,382	None
VPIC1	QBE Insurance VietNam Co., Ltd.	08/08/2018 - 08/07/2019	Invacare Product Liability Insurance: Shower and bathroom accessories - Estimated $4 million	None
VPIC1	PJICO HA THANH Insurance Company	08/27/2018 - 08/26/2019	Inventory Insurance: Battery charger cover (No:P-18.HTH.TSA.3304.000001)	None
VPIC1	PJICO HA THANH Insurance Company	08/27/2018 - 08/26/2019	Product Recall Insurance (MSY): No: P-18.HTH. TSA.3304.000002	None
VPIC1	PJICO HA THANH Insurance Company	01/01/2018 - 12/31/2018	Product Recall Insurance (Polaris): No: P-17.HTH. TSA.3304.000004	None
VPIC1	PJICO HA THANH Insurance Company	10/01/2017 - 12/31/2019	Product Recall Insurance (Piaggio): No: P-17.HTH. TSA.3304.0000014	None
VPIC1	PJICO HA THANH Insurance Company	10/01/2017 - 09/30/2019	Product Recall Insurance (Piaggio): No: P-17.HTH. TSA.3304.000005	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT$ thousands

Item / Year		Financial Summary for The Last Five Years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		2,138,801	2,444,054	2,496,319	2,459,694	2,564,812	2,454,884
Property, Plant and Equipment		695,259	670,600	651,041	747,936	1,159,913	1,120,840
Intangible assets		3,934	6,978	5,437	5,343	12,230	11,675
Other assets		101,528	114,869	135,785	130,572	479,380	523,657
Total assets		2,939,522	3,236,501	3,288,582	3,343,545	4,216,335	4,111,056
Current liabilities	Before distribution	706,378	680,635	660,217	732,933	1,284,909	1,015,791
	After distribution	480,617	355,519	397,205	469,628	Not Yet Distributed	-
Non-current liabilities		66,249	58,845	46,327	41,175	44,821	46,755
Total liabilities	Before distribution	772,627	739,480	706,544	774,108	1,329,730	1,062,791
	After distribution	546,866	414,364	443,532	510,803	Not Yet Distributed	-
Equity attributable to shareholders of the parent		2,166,895	2,497,021	2,582,038	2,569,437	2,886,605	3,048,510
Capital stock		643,492	649,322	655,492	658,092	658,262	658,262
Capital surplus		794,848	813,038	832,426	836,374	836,782	836,782
Retained earnings	Before distribution	709,190	982,046	1,128,919	1,324,620	1,611,793	1,783,956
	After distribution	483,429	656,930	865,907	1,061,315	Not Yet Distributed	-
Other equity interest		-	-	-	-	-	-
Other components of equity		19,365	52,615	(34,799)	(249,649)	(220,232)	(230,490)
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	2,166,895	2,497,021	2,582,038	2,569,437	2,886,605	3,048,510
	After distribution	1,941,134	2,171,905	2,319,026	2,306,132	Not Yet Distributed	-

Reference: Every consolidated financial statement has been certified by a CPA.

Note 1: The numbers above are the amounts after distribution based on the shareholder meetings' decisions

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

Consolidated Condensed Statement of Comprehensive Income-Based on IFRS

Unit: NT$ thousands (except earnings per share)

Item / Year	Financial Summary for The Last Five Years					Q1 2019
	2014	2015	2016	2017	2018	
Operating revenue	3,798,622	4,008,187	4,164,779	4,062,166	4,614,198	1,340,900
Gross profit	612,576	792,614	748,384	726,878	807,639	262,945
Income from operations	373,001	528,866	513,020	495,079	560,867	193,252
Non-operating income and expenses	82,773	122,583	128,687	106,814	145,109	21,785
Income before tax from continuing operations	455,774	651,449	641,707	601,893	705,976	215,037
Net income (Loss) from continuing operations	344,099	484,120	471,793	459,718	549,798	172,163
Loss of discontinued operations	-	-	-	-	-	-
Net income (Loss)	344,099	484,120	471,793	459,718	549,798	172,163
Other comprehensive income (income after tax)	80,281	47,747	(87,218)	(215,855)	30,097	(10,258)
Total comprehensive income	424,380	531,867	384,575	243,863	579,895	161,905
Net income attributable to shareholders of the parent	344,099	484,120	471,793	459,718	549,798	172,163
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	424,380	531,867	384,575	243,863	579,895	161,905
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	5.77	7.50	7.25	6.99	8.35	2.62

Reference: Every consolidated financial statement has been certified by a CPA.

Note 1: Above information has been certified by a CPA.

6.1.3 Auditors' Opinions from 2014 to 2018

Year	Accounting Firm	CPA	Audit Opinion
2014	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2015	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2017	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2017	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2018	Ernst & Young	Ching-Piao Cheng & I-Hui Huang	No Reservations

6.2 Financial Analysis

A. Consolidated Financial Analysis – Based on IFRS

Item / Year		Financial Analysis for the Last Five Years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt Ratio	26.28	22.85	21.48	23.15	31.54	25.85
	Ratio of long-term capital to property, plant and equipment	321.20	381.13	403.72	349.04	252.73	276.16
Solvency (%)	Current ratio	302.78	359.08	378.11	335.60	199.61	241.67
	Quick ratio	241.66	285.94	302.37	262.23	142.56	179.38
	Interest earned ratio (times)	416.47	483.55	779.77	858.4	175.23	130.00
Operating performance	Accounts receivable turnover (times)	7.43	6.60	6.95	7.12	6.93	6.61
	Average collection period	49	55	52	51.26	52.67	55.22
	Inventory turnover (times)	9.88	8.61	8.70	8.10	6.77	6.29
	Average days of sales	37	42.4	42	45.06	53.91	58.00
	Account payable turnover (time)	9.41	8.92	10.15	9.72	8.08	8.77
	Property, plant and equipment turnover (times)	5.27	5.87	6.30	5.81	4.84	4.70
	Total assets turnover (times)	1.50	1.30	1.28	1.22	1.22	1.29
Profitability	Return on total assets (%)	13.64	15.71	14.48	13.88	14.63	16.67
	Return on stockholders' equity (%)	18.85	20.76	18.58	17.85	20.15	23.21
	Pre-tax income to paid-in capital (%)	70.83	100.33	97.90	91.46	107.25	130.67
	Profit ratio (%)	9.06	12.08	11.33	11.32	11.92	12.84
	Earnings per share (NT$)	5.77	7.50	7.25	6.99	8.35	2.62
Cash flow	Cash flow ratio (%)	48.12	74.79	100.51	81.13	23.17	(13.90)
	Cash flow adequacy ratio (%)	155.43	147.40	151.66	125.99	84.66	69.80
	Cash reinvestment ratio (%)	5.37	7.79	8.89	8.70	0.81	(3.44)
Leverage	Operating leverage	1.44	1.32	1.31	1.29	1.24	1.23
	Financial leverage	1.00	1.00	1.00	1.00	1.01	1.01

Item / Year	Financial Analysis for the Last Five Years					As of March 31, 2018
	2013	2014	2015	2017	2017	

Analysis of financial ratio differences for the last two year

Debt Ratio: The export business has gradually increased, which has caused the company to increase short-term borrowings to meet operational needs.

Ratio of long-term capital to property, plant and equipment

Mainly due to the significant increase in property, plant and equipment during the period

Current ratio: The increase in short-term borrowings and accounts payable in the current period resulted in a significant increase in current liabilities.

Quick ratio: The increase in short-term borrowings and accounts payable in the current period resulted in a significant increase in current liabilities.

Interest earned ratio: Interest expense for the current period increased as compared with the same period last year

Inventory turnover: Due to the large number of development cases in this period, the raw material inventory increased significantly.

Average days of sales: [Due to the large number of development cases in this period, the inventory turnover decreased continually.

Pre-tax income to paid-in capital: Due to the Taiwan dollar against the US dollar in the current period has resulted in a smaller conversion of the pre-tax net profit.

Cash flow ratio: The export continued to increase in the current period, which led to a decrease in cash flow from operating activities. In addition, short-term borrowings continue to rise, causing rising current liabilities, which have led to a decline in the cash flow ratio.

Cash flow adequacy ratio: In the current period, due to the increase in export and inventory inventories over a longer period of time, the cash flow from operating activities decreased, and the capital expenditures on real estate, plant and equipment continued to rise during the period, resulting in cash flow adequacy ratio drops.

Cash reinvestment ratio: Due to the property, plant and equipment amount continually increase, resulting in a decrease in the ratio of cash reinvestment.

Reference: Every consolidated financial statement has been certified by a CPA.

Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long Term Fund to Fixed Asset Ratio = (Total Equities+Non-Current Liability) / Net Fixed Asset

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

(2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liabilities

(3) Times Interest Earned = Net Income before Income Tax and Interest Expense / Current Interest Expense

3. Operating Performance

(1) Account Receivable (including Account Receivable and Operating Notes Receivables) Turnover Rate = Net Sales / Average Account Receivable (including Account Receivable and Operating Notes Receivables) Balance

(2) Average Collection Days = 365 / Account Receivable Turnover Rate

(3) Inventory Turnover Rate = Cost of Sales / Average Inventory

(4) Account Payable (including Account Payable and Operating Notes Payables) Turnover Rate = Cost of Sales / Average Account Payable (including Account Payable and Operating Notes Payables) Balance

(5) Average Days of Sales = 365 / Inventory Turnover Rate

(6) Fixed Asset Turnover Rate = Net Sales / Net Average Fixed Asset

(7) Total Asset Turnover Rate = Net Sales / Average Total Asset

4. Profitability

(1) Return on Asset [Income After Tax + Interest Expense × (1 - Tax Rate)] / Average Total Asset

(2) Return on Equity = Income After Tax / Average Total Equity

(3) Net Margin Rate = Income After Tax / Net Sales

(4) Earnings Per Share = (Income Attributed to Parent Company Owner - Preferred Share Dividend) / Weighted Average Number of Outstanding Shares

5. Cash Flow

(1) Cash Flow Ratio = Operating Activity Net Cash Flow / Current Liability

(2) Net Cash Flow Adequacy Ratio = Operating Net Cash Flow for the Last Five Years / (Capital Expenditure + Increased Inventory + Cash Dividend) for the Last Five Years

(3) Cash Re-Investment Ratio = (Operating Activity Net Cash Flow - Cash Dividend) / (Gross Fixed Asset + Long Term Investment + Other Non-Current Asset + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Operating Cost & Expense) / Operating Income

(2) Financial Leverage = Operating Income / (Operating Income - Interest Expense)

6.3 Supervisors' or Audit Committee's Report in the Most Recent Year

2018 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit Eurocharm Holdings Corporation Limited's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Eurocharm Holdings Corporation Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To Eurocharm Holdings Co., Ltd. 2019 Annual General Shareholders' Meeting

Eurocharm Holdings Co., Ltd.

Chairman of the Audit Committee: Wei-Ming Lin

February 26, 2019

6.4 Financial Statements in the Most Recent Year

PleaserefertoAppendix1.

6.5 CPA-Audited Financial Statement in the Most Recent Year

None

6.6 Financial Difficulties in the Most Recent Year

None

VII. Review of Financial Conditions, Operating Results, and Risk Management

Unit: NT$ thousands: %

Year / Item	2018	2017	Difference	
			Amount	%
Current Assets	2,564,812	2,459,694	105,118	4.27
Property, plant and equipment	1,159,913	747,936	411,977	55.08
Intangible Assets	12,230	5,343	6,887	128.90
Other Assets	479,380	130,572	348,808	267.14
Total Assets	4,216,335	3,343,545	872,790	26.10
Current Liabilities	1,284,909	732,933	551,976	75.31
Non-current Liabilities	44,821	41,175	3,646	8.85
Total Liabilities	1,329,730	774,108	555,622	71.78
Capital	658,262	658,092	170	0.03
Capital surplus	836,782	836,374	408	0.05
Retained Earnings	1,611,793	1,324,620	287,173	21.68
Other Adjustments	(220,232)	(249,649)	29,417	(11.78)
Total Stockholders' Equity	2,886,605	2,569,437	317,168	12.34

Year / Item	2017	2017	Difference	
			Amount	%

Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT$42,163 thousand):

1) Property, plant and equipment: Duo to investing in aluminum alloy forging, laser cutting machines and automation equipment.

2) Other AssetsThe company invested in the prepayment of land use rights in Baishan II Industrial Zone.

3)Current LiabilitiesDue to the increase in short-term borrowing and account payables.

4)Retained Earnings Due to the net profit after tax in this period is greater than the number of dividends paid in the current period.

The above differences are expected in regular Company operations and the impact on the Company's financial situation is minimal.

Reference: Every consolidated financial statement has been certified by a CPA

7.2 Analysis of Financial Performance

Unit: NT$ thousands: %

Year / Item	2018	2017	Difference	
			Amount	%
Operating Income	4,614,198	4,062,166	552,032	13.59
Operating Cost	3,806,559	3,335,288	471,271	14.13
OperatingGrossMargin	807,639	726,878	80,761	11.11
Operating Expenses	246,772	231,799	14,973	6.46
Operating Net Income	560,867	495,079	65,788	13.29
Non-operatingIncome and Expenses	145,109	106,814	38,295	35.85
Income Before Tax	705,976	601,893	104,083	17.29
Income After Tax	549,798	459,718	90,080	19.59

Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT$42,163 thousand):

1) Operating IncomeOperating Cost and Operating Gross MarginThe company's recreational vehicle order volume continued to grow, making the company's operating income, operating costs and operating gross margins continue to rise.

2) Non-operating income and expensesThe decrease in the exchange rate of NT dollar against the U.S. dollar resulted in foreign exchange gains.

The above differences are expected in regular Company operations and the impact on the Company's financial situation is minimal.

Reference: Every consolidated financial statement has been certified by a CPA

• Effect of Change on the Company's future business: The Company establishes sales goals based on the global economy, industry condition, customer's assembling plan and other relevant metrics.

• Future Response Actions: According to the business growth shown in the above tables, the Company will require additional working capital to finance the business going forward. Therefore, the teams will continue to budget the cash flow and study every expenditure.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands: %

Year / Item	2018	2017	Variance	
			$	%
Operating Activity	297,741	594,647	(296,906)	(49.93)
Investment Activity	(263,570)	(362,109)	98,539	(27.21)
Financing Activity	(51,196)	(249,266)	198,070	(79.46)

Analysis of financial ratio change:

Operating Activity: Increasing in accounts receivable and inventories, resulting in a decrease in cash flow from operating activities compared to the same period last year.

Investing Activity: The increase in investing activity cash flow by disposal the financial assets measured at amortized cost.

Financing Activity: The increase is due to the short-term borrowing increasing.
Reference: Every consolidated financial statement has been certified by a CPA

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: None

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net CashFlowfrom Operating Activities (2)	EstimatedCash Outflow from Investment Activities (3)	Estimated CashOutflow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)(3)+(4)	Leverage of Cash Surplus (Deficit)	
					Investment Plans	Financing Plans
996,635	736,464	(528,619)	(275,168)	929,312	-	-

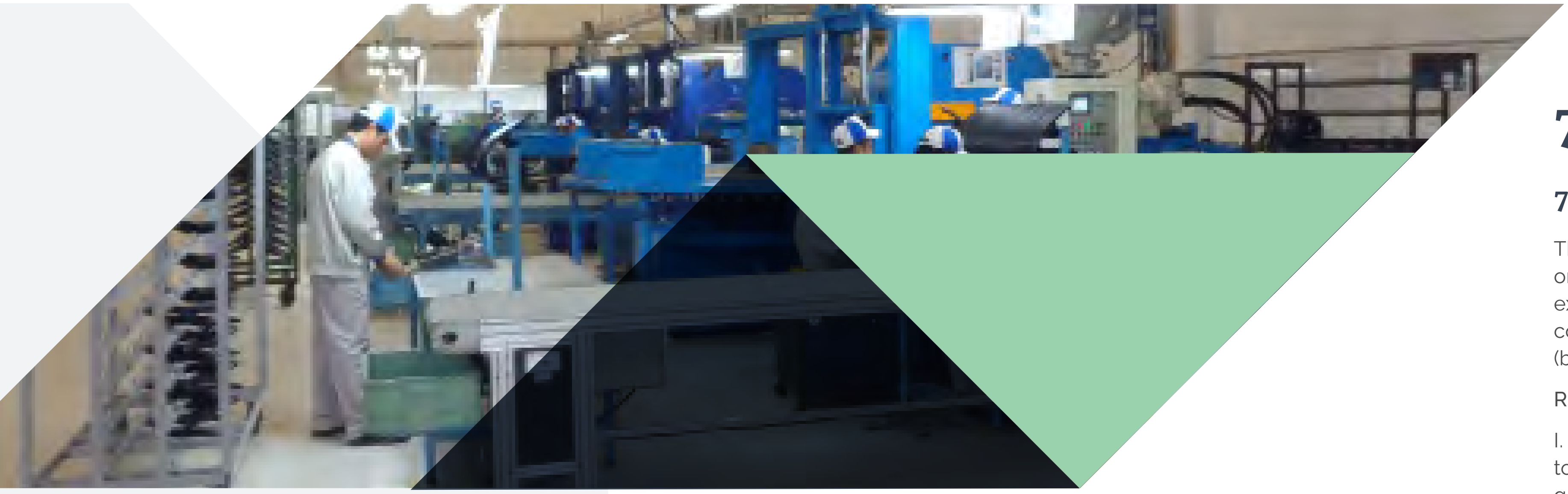
Analysis of financial ratio change:

1) Operating Activities: It is estimated to see an increase as the Company expects growth in operating profits.

2) Investment Activities: It is estimated to see a decrease as the Company expects to purchase property, plant, and equipment.

3) Financing Activities: It is estimated to see a decrease as the Company expects to pay cash dividends

Remedy for expected shortfall of cash and liquidity analysis: N/A



7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capita: None

7.4.2 Expected Benefits: None

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

A. ReInvestment Plan

The Company's reinvestment plan is primarily targeted at the relevant automotive and industrial manufacturing industries. The execution is carried out by based on the Subsidiary Operation Policy, Investment Cycle from the internal control and Asset's Acquisition and Disposal Program. The other implementation and measures will be discussed by the board of directors or at the shareholders meeting.

B. Primary Reason for Reinvestment Loss and Gain

12/31/2018; Unit: NT$ thousands

Reinvestment	2018 Reinvestment Loss and Gain	Description
Eurocharm Innovation (B.V.I.)	586,555	Operations in Good Condition
Eurocharm Innovation	29,654	Operations in Good Condition
VPIC1	544,568	Operations in Good Condition
APEX	3,178	Operations in Good Condition
OPTIMAL	11	Operations in Good Condition
VHS	9,366	Operations in Good Condition
EXEDY	24,326	Operations in Good Condition
Shiang Yu	(343)	Operations in Good Condition
Northstar	0	Financial assets measured at fair value through other measurements. Financial assets not recognized as investment gains and losses.
VPIC	10,684	Financial assets measured at fair value through other measurements. Financial assets not recognized as investment gains and losses.

C. Reinvestment Plan for the Upcoming Year

In order to meet the existing customers' needs, Eurocharm plans to coordinate with them and expands its operating facilities towards other ASEAN countries. Besides the initial plan of acquiring factory plant in the south of Vietnam, the Company will continue to purchase new technology and machinery for productivity growth. Depending on the direction of business development, the Company will expand its size of the operation and raise its scale of capital after careful evaluations.

7.6 Analysis of Risk Management

7.6.1 Risk Management and Structure

The Company's risk management's organizational structure is divided into the execution department (managers and audit committee) and the management department (board of directors).

Risk Management policies:

I. Any associated risk events should be reported to the immediate supervisors, audit committee, general managers, chairman and the board of directors.

II. The risk assessment is carried out by the general manager and used as a record of tracking business performance.

III. The Company has established policies and implementations towards Internal Control, Internal Audit Implementation and Self-Assessed Internal Control Procedures. Department managers are each responsible for closely monitoring the associated risks. The audit committee is to perform risk assessment and report directly to the direct supervisors if any irregularities were discovered.

7.6.2 Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

I. Interest rate: The changes in interest rate has no significant effect on the business operation as the Company's 2018 annual interest income and interest expense have minimal influences on the pre-tax net profit.

II. Foreign exchange rate: The changes in foreign exchange rate has no significant effect on the business operation as the Company's 2018 foreign exchange gain is accounted for 0.64% of the consolidated revenue. In addition, the Company monitors the exchange rate movement closely to minimize the risk of an exchange rate.

III. Inflation: In recent years, the high demand for raw materials from emerging countries has inflated the global markets significantly. In order to reduce the inflation risk and lower the production cost, the Company will be actively seeking methods to improve processing and adjusting product pricing accordingly.

7.6.3 Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

I. The Company did not engage in any high-risk or high-leveraged investments. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending" and "Procedures for Endorsement Guarantee." Furthermore, derivative transactions follow the "Procedures for Acquisition and Disposal of Assets."

II. Approved by the board of directors, the Company guaranteed endorsement NT$169,032 thousands, NT$80,000 thousands and NT$338,063 thousands respectively to its subsidiaries Apex Precision Industrial Ltd., Eurocharm Innovation Co., Ltd. and Vietnam Precision industrial No.1 Co., Ltd. As at the end of 2018, the amount spent was $212,697 thousands..

7.6.4 Future Research & Development Projects and Corresponding Budget

The Company's future R&D plan utilizes new auxiliary materials to enhance casting product quality, reduce defected product, enhance casting product material conversion rate and develop high power wind power products.

The Company's R&D expenses account for 1.26% and 1.00% of sales amount for 2018 and 2017 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds and increasing operational productivity. As such, related R&D expenditure will be invested in accordance with actual needs.

7.6.5 Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company is registered in the Cayman Islands while its subsidiaries are registered in Taiwan, Vietnam and the British Virgin Islands. The Company does not operate in the Cayman Islands. Fluctuation in Vietnam's internal exchange rate is stable. The political relationship between Taiwan and Vietnam is stable. The Company and its important subsidiaries conduct all their businesses in accordance with regulations of their respective territories. The Company's major products including automotive and motorcycle parts and medical equipment are not considered part of the restricted industry. Therefore, in the latest year and as of the date when annual report was published, critical policy changes or regulation changes in Taiwan, Vietnam, the Cayman Islands and the British Virgin Islands are not expected to pose significant influences on the Company's finances and sales.

However, due to the Company has customers and suppliers across the world, in the event of changes in respective government's policy, economy, tax or interest rate, or in the event of incidents involving politics, diplomacy or society, a business of the Company's client or the Company might be affected accordingly.

7.6.6 Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The Company's clients include leading vendors across the world. Given the close collaboration relationship between both parties now, the Company is, therefore, able to access to information of the latest technology through such relationship. Losing such important clients is equal to losing critical sources to understand changes in technology as well as shifts in the industry. Failure to master market trend and the trend for future product development will keep the Company from launching products needed by the market and operation may suffer from a significant and adverse impact. As such, the Company continuously pursues the advancement of metal processing and tooling. On the other hand, the Company also follows clients' steps closely in order to obtain, at any time, the latest technology information in the market, understand future changes in the industry and master market trend as well as product future development direction.

At current phase, the Company focuses its development on automotive, motorcycle and recreational vehicle parts and medical assistive equipment. With the popularity of environmental protection consciousness, the security need for lightweight vehicle products is in demand. This allows the Company's business to enjoy continued growth. There is no replacing technology or product in a short time going forward. Therefore, changes in technology and industry are not expected to pose significant influence on the Company's finance business.

7.6.7 The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company enjoys a good business reputation in the international market, and this has established the Company's credibility and position in this industry. After being listed, the emphasis on corporate image is larger than ever. The Company will continue to expand its international sales territory and maximize its profit through high productivity. There is no change of company image which leads to crisis management in the latest year and as of the date when annual report was published.

7.6.8 Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

None, no such plans.

7.6.9 Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

All of the Company's plant expansions have gone through complete, careful and assessment processes by responsible units, and have already taken comprehensive considerations of investment benefits and potential risks.

7.6.10 Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The main raw materials the Company uses are iron pipes, iron, iron rolls, aluminum, steel, coating, etc. The purchasing decisions are made based on the factors including quality, price, delivery and flexibility. These suppliers are replaceable, and none of the raw materials is exclusive. Therefore, there is no risk or concern over an excessive concentration of purchasing.

Concerning the issue with excessive customer concentration, percentages of the Company's sales to its largest and second largest clients does not exceed 10%. However, the operating income of the two customers takes up to 56.74% of the consolidated operating income. As the Company's largest and second largest customers hold 70% of the market share in Vietnam and the Company being their main supplier, the situation of excessive customer concentration is expected. As a result, the Company has been actively developing new customers to diversify and lower the impact of excessive customer concentration.

7.6.11 Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

No aforementioned cases in the latest year and as of the date when annual report was published.

7.6.12 Effects of, Risks Relating to and Response to the Changes in Management Rights

In the latest year and as of the date when annual report was published, the management rights has not changed. The Company has also established a professional management system. Therefore, the changes in management rights should have minimal effect on the Company.

7.6.13 The Company and the Company's director, supervisor, general manager, actual responsible person and major shareholders holding more than 10% of shares shall prescribed litigation or non-litigation incidents. With respect to subsidiary's finalized or pending major litigation, non-litigation and administrative dispute incidents, the disputed facts, target amount, litigation commencement date, major parties involved and processing status as of annual report publish date shall all be disclosed if results for aforementioned incidents may have significant influence over shareholder's equity or securities price.

None.

7.6.14 Other Major Risks

None.

7.7 Other Important Matters

None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 Enterprise Organization Chart

Please refer to page 9 of the annual report.

8.1.2 Subsidiary Basic Information

As of 12/31/2017

Name of Enterprise	Date of Establishment	Address	Paid-inCapital	Major Business or Production Items
Eurocharm Holdings Co., Ltd.	07/2011	No. 15, Lane 315, Xinshu Rd, XinZhuang District, New Taipei City, Taiwan 242	NT$643,492 thousand	Investment in share holding
Eurocharm Innovation Co., Ltd.(B.V.I.)	08/2001	P.O. BOX957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 17,000 thousand	Investment in share holding
Eurocharm Innovation Co., Ltd.	04/1974	No. 15, Lane 315, Xinshu Rd, Xinzhuang District, New Taipei City, 242	NT$58,500 thousand	Trading business and manufacturing automotive and motorcycle parts and medical equipment
Vietnam Precision Industrial No.1 Co., Ltd.	12/2001	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD $12,000 thousand	Trading business and manufacturing automotive and motorcycle parts and medical equipment
Hsieh Yuan Technology Vietnam Co., Ltd.	06/2010	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD $1,250 thousand	Trading business and manufacturing automotive and motorcycle parts and medical equipment
Exedy Vietnam Co., Ltd.	02/2006	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD $4,000 thousand	Trading business and manufacturing automotive and motorcycle parts
Apex Precision Industrial Ltd.	04/2015	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD $2,000 thousand	Import and export trade
Optimal Victory Ltd.	09/2016	Offshore Chambers, P.O. Box 217, Apia, Samoa	USD $900 thousand	Import and export trade
Northstar Precision (Vietnam) Company Limited	04/2018	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD $279 thousand	Import and export trade
Shiang Yu Precision Co., Ltd.	10/2018	Khai Quang Industrial Zone, Vinh Yen City, Vinh Phuc Province, Vietnam	USD $800 thousand	Mold design and manufacturing

8.1.3 Private Placement Securities in the Most Recent Years

None

8.1.4 The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Name of Enterprise	Title	Name(s)
Eurocharm Holdings Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu, Steven Chang, Bryan Peng, Wei-Min Lin, Gen-Yu Fong
	General Manager	Steven Yu
Eurocharm Innovation Co., Ltd.(B.V.I.)	Director	Steven Yu, Antonio Yu, Michael Yu
Eurocharm Innovation Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisor	Shun-Wei Yeh
	General Manager	Steven Yu
Vietnam Precision Industrial No.1 Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisor	Hung-Yi Kao
	General Manager	Andy Wu
Hsieh Yuan Technology Vietnam Co.,Ltd.	Director	Zheng-Long Wang, Zheng-Zhou Wang, Steven Yu, Michael Yu, Wei-Quan Chen
Exedy Vietnam Co., Ltd.	Director	Mitsuhiko Takenaka, Shogo Okamura, Hideki Kanai, Y. Osanai, Steven Yu
Apex Precision Industrial Ltd.	Director	Steven Yu
Optimal Victory Ltd.	Director	Steven Yu
Northstar Precision (Vietnam) Company Limited	Director	Michael Todd Speetzen, Michael Douglas Dougherty, Kenneth Joseph Pucel, John Boyle Dwyer, Antonio Yu
Shiang Yu Precision Co., Ltd.	Director	Fu-Yuan Lin, Shu-Hui Wang, Michael Yu

8.1.5 Operating Summary for Respective Subsidiaries

Unit: In addition to Earnings Per Share being NT$, the other is NT/VND$ thousands; US$ dollars

Name of Enterprise	Paid in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	Earnings Per Share (NTD)
Eurocharm Holdings Co., Ltd.	658,262	4,216,335	1,329,730	2,886,605	4,614,198	560,867	549,798	8.35
Eurocharm Innovation Co., Ltd. (B.V.I.)	615,652	2,973,994	-	2,973,994	-	(63)	586,555	See Note 1
Eurocharm Innovation Co., Ltd.	58,500	382,066	229,042	153,024	597,813	26,008	32,212	5.51
Vietnam Precision Industrial No.1 Co., Ltd.	388,970	3,861,168	1,204,561	2,656,607	4,398,773	572,330	544,596	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	77,614,146	20,343,227	57,270,919	132,603,083	19,521,043	15,617,416	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	401,906,458	62,731,591	339,174,867	608,749,717	87,894,253	91,247,124	See Note 1
Apex Precision Industrial Ltd.	62,460	244,506	54,663	189,843	436,042	65,186	66,911	10.71
Optimal Victory Ltd.	28,238	34,238	2,046	32,192	29,747	4,509	5,497	1.95
Northstar Precision (Vietnam) Company Limited	1,400,000	5,127,392	4,172,242	955,150	3,673,218	(444,850)	(444,850)	See Note 1
Shiang Yu Precision Co., Ltd.	37,649,220	37,052,325	46,619	37,005,707	-	(643,941)	(643,513)	See Note 1

Note 1: Earnings per share cannot be calculated because this is not an incorporated company.
Note 2: Numbers for Hsieh Yuan Technology Vietnam Co., Ltd. and Exedy Vietnam Co., Ltd. are in Vietnamese Dollars.
Note 3: Numbers for Northstar Precision (Vietnam) Co., Ltd. are in US Dollars.

8.1.6 Affiliated Enterprise Consolidated Financial Statements

Pleaserefertoappendix1.

8.1.7 Affiliation Report

None

8.2 In the latest year and as of the date when this annual report was published, any cases of securities private placement

None

8.3 In the latest year and as of the date when this annual report was published, cases of subsidiary holding or disposing the Company's shares

None

8.4 Other necessary supplementary explanation

None

8.5 Information Disclosure as prescribed in Clause 2, Paragraph 2, Article 36 of Securities of Exchange Law

None

8.6 Differences from Republic of China Shareholder equity protection regulations

Please refer to page 168 of the Chinese annual report.

Address

No. 15, Lane 315, Xinshu Rd,
XinZhuang District

New Taipei City, Taiwan 242

Telephony

Phone: +886-2-2208-0151

Fax : +886-2-2205-1598

Website

www.eurocharm.com.tw

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

Ticker: 5288

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH A REPORT OF INDEPENDENT AUDITORS
AS OF DECEMBER 31, 2018 AND 2017
AND FOR THE YEARS THEN ENDED

Address: PO Box472, 2nd Floor, Harbour Place, 103 South Church Street,
George Town KY1-1106, Grand Cayman, Cayman Islands
Telephone: (02)2208-0151

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

Index

安永聯合會計師事務所

33045桃園市桃園區中正路1088號27樓
27F, No. 1088, Zhongzheng Road, Taoyuan District,
Taoyuan City, Taiwan, R.O.C.

Tel: 886 3 319 8888
Fax: 886 3 319 8866
www.ey.com/tw

English Translation of a Report Originally Issued in Chinese

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (collectively referred as "the consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2018 and 2017, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2018 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT$4,614,198 thousand for the year ended December 31, 2018 is significant to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities through multi-market places. Furthermore, varieties of sale terms and conditions enacted in the main sale contracts or sale orders judging and determining the performance obligation and the time of satisfaction. We therefore conclude that there are significant risks with respect to the topic of revenue recognition. Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, executing sale cut-off tests, and inspecting the major sale orders or agreements for their terms and conditions. We also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

Trade receivables - estimation of impairment loss

The Company's consolidated gross trade receivables and loss allowance as of December 31, 2018 amounted to NT$635,921 thousand and NT$11,413 thousand, respectively. The consolidated net trade receivables represented 15% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. The amount of loss allowance against trade receivable is measured based on expected credit loss during its existing period. For the measurement purpose, underlying receivable should be grouped appropriately and the application of related assumptions, including proper aging intervals, expected loss ratio and forward-looking information for each aging interval, be judged and analyzed. We conclude that the estimation of impairment loss toward trade receivable is one of the key audit matters due to its complexity of judgement, analysis and estimation and its significant impact on carrying value of net trade receivable. Our audit procedures therefore include, but not limit to, analyzing the appropriateness of the methodology to group trade receivable, confirming whether the customers with significantly different loss patterns (i.e. similar risk characteristics) are appropriately grouped (i.e. by historical experiences, etc.); testing the preparation matrix adopted by the Group, including evaluation on reasonableness of determining aging intervals, and examining the correctness of original document for basic information; reviewing trade receivable subsequent collection for evaluating its recoverability; analyzing long-term variation trend of impairment loss and turnover rate of trade receivable and concluding whether any significant impairment needs to be made at the end of period.

We have also evaluated the appropriateness of the disclosure in Note 5 and Note 6 to the consolidated financial statements regarding trade receivables and related risk.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2018 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Cheng, Ching-Piao
Huang, I-Hui
Ernst & Young, Taiwan
February 26th, 2019

<u>*Notice to Readers*</u>

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 December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets				Liabilities and Equity			
Accounts	Notes	2018	2017	Accounts	Notes	2018	2017
Current assets				Current liabilities			
Cash and cash equivalents	4, 6(1)	$674,941	$671,100	Short-term borrowings	6(13), 8	$256,507	$57,021
Financial assets measured at amortized cost	4, 6(2)	321,694	-	Contract liabilities	4, 6(19)	59,738	-
Debt instrument investments for which no active market exists	4, 6(3)	-	652,958	Notes payables		3	1
Notes receivables	6(4)	34	8	Trade payables		571,149	353,259
Trade receivables	4, 6(5), 6(20),8	624,508	548,765	Trade payables-related parties	7	9,072	8,394
Trade receivables-related parties	4, 6(5), 6(20),7	120,532	15,487	Other payables	6(14)	248,143	180,292
Other receivables		21,232	26,061	Current tax liabilities	4, 6(25)	129,405	109,007
Other receivables-related parties	7	125	113	Other current liabilities		860	24,959
Inventories	4, 6(6), 8	668,830	416,840	Refund liabilities		10,032	-
Prepayments		64,265	120,861	Total current liabilities		1,284,909	732,933
Other current assets		68,651	7,501				
Total current assets		2,564,812	2,459,694	Non-current liabilities			
				Deferred tax liabilities	4, 6(25)	17,805	17,099
Non-current assets				Other non-current liabilities	6(15), 6(16)	27,016	24,076
Financial assets measured at fair value through other comprehensive income	4, 6(7)	19,431	-	Total non-current liabilities		44,821	41,175
Financial assets carried at cost	4, 6(8)	-	11,007	Total liabilities		1,329,730	774,108
Investment accounted for under the equity method	4, 6(9)	150,657	118,451				
Property, plant and equipment	4, 6(10), 8	1,159,913	747,936	Equity attributable to shareholders of the parent			
Intangible assets	4, 6(11)	12,230	5,343	Capital			
Deferred tax assets	4, 6(25)	840	714	Common stock	6(17)	658,262	658,092
Other non-current assets	6(12)	308,452	400	Capital surplus		836,782	836,374
Total non-current assets		1,651,523	883,851	Retained earnings	6(17)		
				Special reserve	6(17)	249,649	61,299
				Accumulated profit or loss		1,362,144	1,263,321
				Other components of equity		(220,232)	(249,649)
				Total equity		2,886,605	2,569,437
Total assets		$4,216,335	$3,343,545	Total liabilities and equity		$4,216,335	$3,343,545

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 years ended December 31, 2018 and 2017

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

Desrciption	Notes	2018	2017
Operating revenues	4, 6(19), 7	$4,614,198	$4,062,166
Operating costs	6(21), 7	(3,806,544)	(3,335,304)
Gross profit		807,654	726,862
Realized (Unrealized) sales profit	4	(15)	16
Gross profit, net		807,639	726,878
Operating expenses	7		
Sales and marketing	6(21)	(63,404)	(47,408)
General and administrative		(137,389)	(133,199)
Research and development		(45,968)	(51,192)
Expected credit losses	4, 6(20)	(11)	-
Operating expenses total		(246,772)	(231,799)
Operating income		560,867	495,079
Non-operating incomes and expenses			
Other incomes	6(22), 7	90,857	83,837
Other gains and losses	6(22), 7	24,955	(16,162)
Finance costs	6(22)	(4,052)	(702)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(9)	33,349	39,841
Non-operating incomes and expenses total		145,109	106,814
Income before income tax		705,976	601,893
Income tax expense	4, 6(25)	(156,178)	(142,175)
Net income		549,798	459,718
Other comprehensive income (loss)	6(24)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		680	(1,005)
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		29,045	(211,668)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		372	(3,182)
Total other comprehensive income, net of tax		30,097	(215,855)
Total comprehensive income		$579,895	$243,863
Earnings per share-basic (in NTD)	6(26)	$8.35	$6.99
Earnings per share-diluted (in NTD)	6(26)	$8.32	$6.96

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 years ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollar)

	Equity Attributable to Shareholders of the Parent							
	Share capital			Retained Earnings		Other Components of equity		
Description	Common Stock	Capital collected in advance	Capital surplus	Special Reserve	Accumulated profit or loss	Exchange Differences on Translation of Foreign Operations	Total	Total Equity
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
Appropriation and distribution of 2016 earnings:								
Cash dividends-common shares					(263,012)		(263,012)	(263,012)
Net income in 2017					459,718		459,718	459,718
Other comprehensive income in 2017					(1,005)	(214,850)	(215,855)	(215,855)
Total comprehensive income	-	-	-	-	458,713	(214,850)	243,863	243,863
Employee stock option certificates	2,600	(2,700)	6,648				6,548	6,548
Balance as of December 31, 2017	658,092	-	836,374	61,299	1,263,321	(249,649)	2,569,437	2,569,437
Appropriation and distribution of 2017 earnings:								
Special reserve				188,350	(188,350)		-	-
Cash dividends-common shares					(263,305)		(263,305)	(263,305)
Net income in 2018					549,798		549,798	549,798
Other comprehensive income in 2018					680	29,417	30,097	30,097
Total comprehensive income	-	-	-	-	550,478	29,417	579,895	579,895
Employee stock option certificates	170		408				578	578
Balance as of December 31, 2018	$658,262	$-	$836,782	$249,649	$1,362,144	$(220,232)	$2,886,605	$2,886,605

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 years ended December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2018	2017
Cash flows from operating activities:		
Net income before tax	$705,976	$601,893
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:		
Depreciation	118,469	133,582
Amortization	3,628	2,836
Expected credit losses	11	13
Interest expense	4,052	702
Interest income	(54,804)	(48,080)
Dividends	(10,684)	(10,404)
Share of profit or loss of associates and joint ventures accounted for under the equity method	(33,349)	(39,841)
Loss on disposal of property, plant and equipment	473	497
Unrealized (Realized) sales profit	15	(16)
Changes in operating assets and liabilities:		
Notes receivables	31	141
Trade receivables	(75,935)	(14,579)
Trade receivables-related parties	(105,045)	5,031
Other receivables	(619)	41
Other receivables-related parties	(12)	(113)
Inventories	(251,593)	(41,829)
Prepayments	56,596	4,145
Other current assets	(61,150)	(6,651)
Long-term prepaid rent	(280,437)	-
Contract liabilities	35,895	-
Notes payables	2	(4)
Trade payables	217,890	41,430
Trade payables-related parties	678	(4,452)
Other payables	66,745	6,533
Other current liabilities	(256)	5,787
Net defined benefit liabilities	(8,425)	(3,575)
Refund liabilities	10,032	-
Cash generated from (used in) operations	338,184	633,087
Interest received	60,401	46,565
Dividends received	38,540	44,050
Interest paid	(3,734)	(682)
Income tax paid	(135,650)	(128,373)
Net cash provided by (used in) operating activities	297,741	594,647

Items	2018	2017
Cash flows from investing activities:		
Acquisition of financial assets measured at fair value through other comprehensive income	(8,424)	-
Disposal of financial assets measured at amortized cost	331,264	-
Acquisition of debt instrument investments for which no active market exists	-	(79,086)
Acquisition of investment accounted for under the equity method	(24,827)	-
Acquisition of property, plant and equipment	(523,892)	(279,877)
Disposal of property, plant and equipment	413	-
Increase (Decrease) in refundable deposits	(27,615)	-
Acquisition of intangible assets	(10,489)	(3,146)
Net cash provided by (used in) investing activities	(263,570)	(362,109)
Cash flows from financing activities:		
Increase in (Repayment of) short-term borrowings	199,486	8,951
Increase (Decrease) in guarantee deposits	12,045	(1,753)
Cash dividends	(263,305)	(263,012)
Exercise of employee stock option	578	6,548
Net cash provided by (used in) financing activities	(51,196)	(249,266)
Effect of exchange rate changes	20,866	(153,750)
Net increase (decrease) in cash and cash equivalents	3,841	(170,478)
Cash and cash equivalents at beginning of period	671,100	841,578
Cash and cash equivalents at end of period	$674,941	$671,100

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

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 subsidiaries ("the Group") for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors on February 26, 2019.

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:

(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 contacts should be presented as contract assets, which 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$59,738 thousand and the contract liabilities increased by NT$59,738 thousand as at December 31, 2018.

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

(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.

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

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, financial assets measured at amortized cost 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	$1,924,735	Total	$1,924,735

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

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

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Available-for-sale financial assets (including investments measured at cost with initial investment cost of $11,007, reported as a separate line item) (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	1,913,728					
Total	$1,924,735	Total	$1,924,735	$-	$-	$-

Notes:

(1)In accordance with of IAS 39, the Group's available-for-sale financial assets included stocks of unlisted companies. Adjustment details are described as follow:

Stocks (including unlisted companies)

The Group assessed the facts and circumstances existed as at January 1, 2018, and determined these stocks were not held-for-trading; therefore, 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 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 follow:

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 IFRS 9, stocks of unlisted companies must be measured at fair value and shall not recognize impairment. The estimated fair value of the stocks of unlisted companies was NT$11,007 thousand as at the date of initial application. Accordingly, 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 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 arised 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.

(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.

(d) *Disclosure Initiative-Amendments to IAS 7 "Cash Flow Statement"*

The Group required to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Please refer to Note 12 for more details.

(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.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 16 "Leases"	January 1, 2019
b	IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019
c	IAS 28 "Investment in Associates and Joint Ventures" — Amendments to IAS 28	January 1, 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
e	Improvements to International Financial Reporting Standards (2015-2017 cycle)	January 1, 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019

(a)*IFRS 16"Leases"*

The new standard requires lessees to account for all leases under one single accounting model (except for short-term or low-value asset lease exemptions), which is for lessees to recognize right-of-use assets and lease liabilities on the balance sheet and the depreciation expense and interest expense associated with those leases in the consolidated statements of comprehensive income. Besides, lessors' classification remains unchanged as operating or finance leases, but additional disclosure information is required.

(b)*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.

(c)*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.

(d)*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.

(e)*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 remeasure 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 remeasure 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 treats as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

(f)*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 remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2019. Apart from item (a) explained below, the remaining standards and interpretations have no material impact on the Group.

(a)IFRS 16 "Leases"

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

The impact arising from the adoption of IFRS 16 on the Group are summarized as follows:

A. For the definition of a lease, the Group elects not to reassess whether a contract is, or contains, a lease at the date of initial application (January 1, 2019) in accordance with the transition provision in IFRS 16. Instead, the Group is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

   The Group is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Group recognizes the cumulative effect of initially applying IFRS 16 at the date of initial application.

   Leases classified as operating leases

   For leases that were classified as operating leases applying IAS 17, the Group expects to measure and recognize those leases as lease liability on January 1, 2019 at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019 and the Group recognizes the right-of-use asset measuring at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease, on a lease-by-lease basis.

   Accordingly, the Group expects that the right-of-use asset will increase by NT$1,912 thousand, lease liability by NT$1,912 thousand as of January 1, 2019.

   In addition, the leases in amount of NT$280,437 thousand classified as operating leases under IAS 17 and fully-paid on January 1, 2019 should be reclassified from the caption of long-term prepaid rental to right-of-use asset.

B. The additional disclosures of lessee and lessor required by IFRS 16 will be disclosed in the relevant notes.

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

(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 17 "*Insurance Contracts*"	January 1, 2021
c	Definition of a Business (Amendments to IFRS 3)	January 1, 2020
d	Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020

(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 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.

(c)Definition of a Business (Amendments to IFRS 3)

The amendments clarify the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

IFRS 3 continues to adopt a market participant's perspective to determine whether an acquired set of activities and assets is a business. The amendments clarify the minimum requirements for a business; add guidance to help entities assess whether an acquired process is substantive; and narrow the definitions of a business and of outputs; etc.

(d)Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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. The Group determined the standards and interpretations have no material impact on the Group.

4.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements for the years ended December 31, 2018 and 2017 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(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

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a)power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
(b)exposure, or rights, to variable returns from its involvement with the investee, and
(c)the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a)the contractual arrangement with the other vote holders of the investee
(b)rights arising from other contractual arrangements
(c)the Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the NCIs even if this results in a deficit balance of the NCIs.

If the Group loses control of a subsidiary, it:

(a)derecognizes the assets (including goodwill) and liabilities of the subsidiary;
(b)derecognizes the carrying amount of any non-controlling interest;
(c)recognizes the fair value of the consideration received;
(d)recognizes the fair value of any investment retained;
(e)recognizes any surplus or deficit in profit or loss; and
(f)reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

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

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2018	2017
The Company	Eurocharm Innovation Co., Ltd. (B.V.I.)	Investment activities	100.00%	100.00%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100.00%	100.00%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Vietnam Precision Industrial No.1 Co., Ltd.	Manufacturing and sales of motor parts and medical equipment	100.00%	100.00%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Apex Precision Industrial Ltd.	Trading activities	100.00%	100.00%
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Trading activities	100.00%	100.00%

(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.

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) Translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into NT$ at the closing rate of exchange prevailing at the reporting date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or joint arrangement that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6)Current and non-current distinction

An asset is classified as current when:

(a)The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
(b)The Group holds the asset primarily for the purpose of trading
(c)The Group expects to realize the asset within twelve months after the reporting period
(d)The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

(a)The Group expects to settle the liability in its normal operating cycle
(b)The Group holds the liability primarily for the purpose of trading
(c)The liability is due to be settled within twelve months after the reporting period
(d)The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7)Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8)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 considering both factors below:

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

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.

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.

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.

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 recognizes 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 at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition 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.

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.

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 exits 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.

(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.

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.

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.

(9)Fair value measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a)In the principal market for the asset or liability, or
(b)In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10)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 and not within the scope of inventories.

(11)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.

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 affects 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 prorata 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 prorata 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.

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 remeasure the retained interest.

(12)Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *Property, plant and equipment.* When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	5~50 years
Machinery and equipment	1~15 years
Mold equipment	1~6 years
Transportation equipment	3~15 years
Office equipment	3~10 years
Other equipment	3~8 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Computer software

The cost of computer software is amortized on a straight-line basis over the estimated useful life (2 to 6 years).

A summary of the policies applied to the Group's intangible assets is as follows:

	Computer software	Patents
Useful lives	Limited	Limited
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *Impairment of Assets* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16)Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

(17)Revenue recognition

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

The Group's revenue arising from contracts with customers are primarily related to 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. For certain sales of goods transactions, they 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.

The Group estimates the discounts using the expected value method based on historical experiences. 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 and 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 Group usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract. For some of the contracts, the Group has transferred 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.

Dividends

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

(18)Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(19)Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

(a)the date of the plan amendment or curtailment, and
(b)the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(20) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(21)Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. SIGNIGICANT 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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including the income approach (for example the discounted cash flow model) or market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Pension benefits

The cost of post-employment benefit and the present value of the pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

(c) Trade receivables-estimation of impairment loss

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.

(d) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6.

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

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	As of December 31,	
	2018	2017
Cash on hand	$658	$764
Checking and saving	291,918	355,851
Time deposits matured within three months	382,365	314,485
Total	$674,941	$671,100

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

(2)Financial assets measured at amortized cost

	As of December 31,	
	2018	2017(Note)
Time deposits	$321,694	
Current	$321,694	
Non-current	-	
Total	$321,694	

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 classifies certain of its financial assets as financial assets measured at amortized cost were not pledged. Please refer to Note 12 for more details on credit risk.

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

	As of December 31,	
	2018(Note)	2017
Time deposits		$652,958
Current		$652,958
Non-current		-
Total		$652,958

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 aforementioned debt instrument investments were not pledged.

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

(4)Notes receivables

	As of December 31,	
	2018	2017
Notes receivables arising from operating activities	$34	$65
Less: loss allowance	-	(57)
Total	$34	$8

Notes receivables were not pledged.

The Group adopted IFRS 9 for impairment assessment since January 1, 2018. Please refer to Note 6(20) for more details on accumulated impairment. Please refer to Note 12 for more details on credit risk.

(5)Trade receivables and Trade receivables-related parties

(a)Details of trade receivables and trade receivables-related are as below:

	As of December 31,	
	2018	2017
Trade receivables	$635,921	$560,004
Less: loss allowance	(11,413)	(11,239)
Subtotal	624,508	548,765
Trade receivables from related parties	120,532	15,487
Less: loss allowance	-	-
Subtotal	120,532	15,487
Total	$745,040	$564,252

(b)Please refer to Note 8 for more details on trade receivables under pledged.

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

(c)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(20) for more details on impairment of trade receivables. The Group adopted IAS 39 for impairment assessment before January 1, 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties for the year ended December 31, 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.)

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	$-	$12,273	$12,273
Charge/(reversal) for the current period	-	13	13
Effect of exchange rate changes	-	(1,047)	(1,047)
As of December 31, 2017	$-	$11,239	$11,239

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

		Past due but not impaired			
As of	Neither past due nor impaired	Less than 30 days	31～90 days	91～270 days	Total
Dec. 31, 2017	$506,142	$31,810	$26,300	$-	$564,252

(6)Inventories

(a)Details of inventories are as below:

	As of December 31,	
	2018	2017
Raw materials and Supplies	$276,388	$169,863
Work in progress	303,433	161,669
Finished goods	85,411	79,492
Merchandises	3,598	5,816
Total	$668,830	$416,840

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

(b)The cost of inventories recognized in expenses amounted to NT$3,806,544 thousand, NT$3,335,304 thousand, as of December 31, 2018 and 2017, respectively.

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

	For the year ended December 31,	
	2018	2017
Loss from inventory market decline	$6,537	$1,408
Loss in inventory write-off obsolescence	13,282	20,878
Loss (gain) from physical	20	(18)
Total	$19,839	$22,268

(c)Please refer to Note 8 for more details on inventories under as pledged.

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

	As of December 31,	
	2018	2017(Note)
Equity instruments investments measured at fair value through other comprehensive income - Non-current		
Unlisted companies stocks	$19,431	

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.

(a)The Group classifies certain of its financial assets as financial assets at fair value through other comprehensive income were not pledged.

(b)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. For the year ended December 31, 2018, the Group has remitted the investment amount US$278,600 (equivalent to NT$8,424 thousand).

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

(8)Financial assets carried at cost

	As of December 31,	
	2018(Note)	2017
Stock		$11,007
Current		$-
Non-current		11,007
Total		$11,007

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.

(a)The Group adopted IAS 39 before January 1, 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:

	As of December 31,			
	2018		2017	
Investee companies	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	$91,245	20.00%	$93,500	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	34,689	45.00%	24,951	45.00%
Shiang Yu Precision Co., Ltd.	24,723	40.00%	-	-%
Total	$150,657		$118,451	

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

(b)Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd. are not individually material. The aggregate carrying amounts of the Group's interests in Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd., Shiang Yu Precision Co., Ltd. were NT$150,657 thousand, NT$118,451 thousand as of December 31, 2018 and 2017, respectively. The aggregate financial information based on the Group's share of Exedy Vietnam Co., Ltd., Hsieh Yuan Technology Vietnam Co., Ltd. and Shiang Yu Precision Co., Ltd. are as follows:

	For the year ended December 31,	
	2018	2017
Profit or loss from continuing operations	$33,349	$39,841
Other comprehensive income (post-tax)	372	(3,182)
Total comprehensive income	$33,721	$36,659

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

As of December 31, 2018 and 2017, the balances of investments accounted for under the equity method were NT$150,657 thousand and NT$118,451 thousand, respectively. For the years ended December 31, 2018 and 2017, shares of investment income from these associates and joint ventures amounted to NT$33,349 thousand and NT$39,841 thousand, respectively. For the years ended December 31, 2018 and 2017, share of other comprehensive income from these associates and joint ventures amounted to NT$372 thousand and NT$(3,182) thousand, respectively.

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

(d)For the years ended December 31, 2018 and 2017, Vietnam Precision Industrial No.1 Co., Ltd. received distribution from Exedy Vietnam Co., Ltd. in amount of NT$27,856 thousand and NT$16,366 thousand, respectively, which were accounted for as a reduction to the carrying amount of the investment.

(e)For the year ended December 31, 2017, Eurocharm Innovation Co., Ltd. (B.V.I.) received distribution from Hsieh Yuan Technology Vietnam Co., Ltd. in amount of NT$17,280 thousand, which were accounted for as a reduction to the carrying amount of the investment.

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

(f)The board of directors of the Company's subsidiary - Vietnam Precision Industrial No.1 Co., Ltd. approved to form a joint venture with YUAN YU CHING YEH Co., Ltd. by acquiring 40% of its share interest in a meeting held on August 2, 2018. As of December 31, 2018, the Group has remitted the investment amount US$800 thousand.

(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	-	1,798	28,428	18,789	2,617	13,970	459,075	524,677
Disposals	-	-	(16,030)	(1,114)	(832)	(3,022)	-	(20,998)
Transfers	-	217,555	304,654	-	134	4,479	(527,219)	(397)
Exchange differences	-	1,888	16,249	804	121	1,212	1,965	22,239
As of Dec. 31, 2018	$52,420	$395,952	$1,698,411	$90,485	$15,200	$129,377	$110,577	$2,492,422
As of Jan. 1, 2017	$52,420	$181,364	$1,363,976	$76,807	$11,674	$111,774	$50,486	$1,848,501
Additions	-	2,224	29,310	2,570	2,527	10,199	236,075	282,905
Disposals	-	-	(4,272)	(787)	(185)	(370)	-	(5,614)
Transfers	-	6,184	98,835	-	-	424	(105,443)	-
Exchange differences	-	(15,061)	(122,739)	(6,584)	(856)	(9,289)	(4,362)	(158,891)
As of Dec. 31, 2017	$52,420	$174,711	$1,365,110	$72,006	$13,160	$112,738	$176,756	$1,966,901
Depreciation and impairment:								
As of Jan. 1, 2018	$-	$98,122	$954,206	$59,679	$8,933	$98,025	$-	$1,218,965
Depreciation	-	11,553	82,835	4,574	2,524	16,983	-	118,469
Disposals	-	-	(15,140)	(1,114)	(832)	(3,022)	-	(20,108)
Exchange differences	-	1,144	12,069	706	107	1,157	-	15,183
As of Dec. 31, 2018	$-	$110,819	$1,033,970	$63,845	$10,732	$113,143	$-	$1,332,509
As of Jan. 1, 2017	$-	$95,773	$937,354	$61,102	$7,735	$95,496	$-	$1,197,460
Depreciation	-	10,246	105,512	4,679	2,008	11,137	-	133,582
Disposals	-	-	(3,784)	(787)	(185)	(370)	-	(5,126)
Exchange differences	-	(7,897)	(84,876)	(5,315)	(625)	(8,238)	-	(106,951)
As of Dec. 31, 2017	$-	$98,122	$954,206	$59,679	$8,933	$98,025	$-	$1,218,965
Net carrying amount as of:								
Dec. 31, 2018	$52,420	$285,133	$664,441	$26,640	$4,468	$16,234	$110,577	$1,159,913
Dec. 31, 2017	$52,420	$76,589	$410,904	$12,327	$4,227	$14,713	$176,756	$747,936

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

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	10,489	-	10,489
Deduction	(738)	-	(738)
Exchange differences	265	-	265
As of Dec. 31, 2018	$34,295	$228	$34,523
As of Jan. 1, 2017	$24,086	$228	$24,314
Additions-acquired separately	3,146	-	3,146
Deduction	(1,022)	-	(1,022)
Exchange differences	(1,931)	-	(1,931)
As of Dec. 31, 2017	$24,279	$228	$24,507
Amortization:			
As of Jan. 1, 2018	$18,936	$228	$19,164
Amortization	3,628	-	3,628
Deduction	(738)	-	(738)
Exchange differences	239	-	239
As of Dec. 31, 2018	$22,065	$228	$22,293
As of Jan. 1, 2017	$18,649	$228	$18,877
Amortization	2,836	-	2,836
Deduction	(1,022)	-	(1,022)
Exchange differences	(1,527)	-	(1,527)
As of Dec. 31, 2017	$18,936	$228	$19,164
Net carrying amount as of:			
Dec. 31, 2018	$12,230	$-	$12,230
Dec. 31, 2017	$5,343	$-	$5,343

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

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2018	2017
Operating costs	$2	$2
Sales and marketing expenses	2	1
General and administrative expenses	3,422	2,686
Research and development expenses	202	147
Total	$3,628	$2,836

(12)Other non-current assets

	As of December 31,	
	2018	2017
Long-term prepaid rent	$280,437	$-
Refundable deposits	28,015	400
Total	$308,452	$400

Long-term prepaid rent include land use right in the amount to NT$280,437 thousand as of December 31, 2018.

(13)Short-term borrowings

		As of December 31,	
	Interest Rates (%)	2018	2017
Secured bank loans	0.9%～3.8%	$149,090	$40,000
Unsecured bank loans	1.9%～5.85%	107,417	17,021
Total		$256,507	$57,021

The Group's unused short-term lines of credits amount to NT$564,252 thousand and NT$388,430 thousand as of December 31, 2018 and 2017, respectively.

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

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

(14)Other payables

	As of December 31,	
	2018	2017
Accrued expense	$243,564	$176,819
Payables on equipment	4,230	3,445
Accrued interest	349	28
Total	$248,143	$180,292

(15)Other non-current liabilities

	As of December 31,	
	2018	2017
Net defined benefit liability	$3,919	$13,024
Guarantee deposits received	18,097	6,052
Other non-current liabilities	5,000	5,000
Total	$27,016	$24,076

(16)Post-employment benefits

Defined contribution plan

The Group's Taiwan domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Group's Taiwan domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Group's Taiwan domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT$1,875 thousand and NT$1,919 thousand, respectively.

Defined benefits plan

The Group's Taiwan domestic subsidiaries adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Group's Taiwan domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Group's Taiwan domestic subsidiaries assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Group's Taiwan domestic subsidiaries will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Group's Taiwan domestic subsidiaries does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Group's Taiwan domestic subsidiaries expects to contribute NT$705 thousand to its defined benefit plan during the 12 months beginning after December 31, 2018.

As of December 31, 2018 and 2017, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2043 and 2042, respectively.

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

Pension costs recognized in profit or loss for the years ended December 31, 2018 and 2017:

	For the year ended December 31,	
	2018	2017
Current period service costs	$452	$619
Net interest of defined benefit	198	198
Total	$650	$817

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	As of		
	Dec.31, 2018	Dec.31, 2017	Jan.1, 2017
Defined benefit obligation	$28,192	$37,135	$37,882
Plan assets at fair value	(23,568)	(23,271)	(21,370)
Subtotal	4,624	13,864	16,512
Net defined benefit expected to contribute during the 12 months	(705)	(840)	(918)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$3,919	$13,024	$15,594

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

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
As of Jan. 1, 2017	$37,882	$(21,370)	$16,512
Current period service costs	619	-	619
Net interest expense (revenue)	454	(256)	198
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	38,955	(21,626)	17,329
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	281	-	281
Actuarial gains and losses arising from changes in financial assumptions	275	78	353
Experience adjustments	371	-	371
Re-measurement on defined benefit assets	-	-	-
Subtotal	927	78	1,005
Payments from the plan	(2,747)	2,747	-
Contributions by employer	-	(4,470)	(4,470)
Effect of exchange rates	-	-	-
As of Dec. 31, 2017	37,135	(23,271)	13,864
Current period service costs	452	-	452
Net interest expense (revenue)	397	(249)	148
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	37,984	(23,520)	14,464

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

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	255	-	255
Actuarial gains and losses arising from changes in financial assumptions	340	(711)	(371)
Experience adjustments	(564)	-	(564)
Re-measurement on defined benefit assets	-	-	-
Subtotal	31	(711)	(680)
Payments from the plan	(9,823)	9,823	-
Contributions by employer	-	(9,160)	(9,160)
Effect of exchange rates	-	-	-
As of Dec. 31, 2018	$28,192	$(23,568)	$4,624

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2018	2017
Discount rate	0.90%	1.07%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2018		2017	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$979	$-	$1,030
Discount rate decrease by 0.5%	1,321	-	1,151	-
Future salary increase by 0.5%	1,309	-	1,146	-
Future salary decrease by 0.5%	-	983	-	1,036

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

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(17)Equities

(a)Common stock

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

For the years ended December 31, 2018 and 2017, the Company's employees exercised stock options for 17 thousand shares and 185 thousand shares in amount of NT$578 thousand and NT$6,548 thousand, respectively.

(b)Capital surplus

	As of December 31,	
	2018	2017
Additional paid-in capital	$836,062	$835,576
Employee stock option	-	78
Other	720	720
Total	$836,782	$836,374

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.

(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.

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

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 2018 and 2017 were approved through the Board of Directors' meeting and Shareholders' meeting held on February 26, 2019 and June 14, 2018, respectively. The details of the distributions are as follows:

	Appropriation of earnings		Dividend per share (in NT$)	
	2018	2017	2018	2017
Common stock - cash dividend	$329,131	$263,305	$5	$4

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

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

(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

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

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 year ended December 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)	(185,000)	35.39 (Note2)
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	-	$-	17,000	$34
Exercisable at end of period	-		17,000	

Note 1: The weighted average share price at the date of exercise of these option was $80.85.
Note 2: The weighted average share price at the date of exercise of these option was $83.10.

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

	Range of exercise price	Weighted average remaining contractual life (Years)
As of Dec. 31, 2018 share options outstanding at the end of the period	$34	- year
As of Dec. 31, 2017 share options outstanding at the end of the period	$34	0.75 year

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

(d)The expense recognized for employee services received during the years ended December 31, 2018 and 2017, is shown in the following table:

	For the year ended December 31,	
	2018	2017
Total expense arising from equity-settled share-based payment transactions	$-	$-

(e)Modification or cancellation of the share-based payment plan for employees

No modification or cancellation of share-based payment plan has occurred during the years ended December 31, 2018 and 2017.

(19)Operating revenue

	For the year ended December 31,	
	2018	2017
Revenue from contracts with customer		
Sale of goods	$4,614,033	$4,061,988
Revenue arising from rendering of services	165	178
Total	$4,614,198	$4,062,166

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).

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

(1)Disaggregation of revenue

	Single Segment
Sale of goods	$4,614,033
Revenue arising from rendering of services	165
Total	$4,614,198
Timing of revenue recognition:	
At a point in time	$4,614,198

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

(2)Contract balances - current

Contract liabilities

	Beginning balance	Ending balance	Difference
Sales of goods	$23,843	$59,738	$35,895

(3)Transaction price allocated to unsatisfied performance obligations

As of December 31, 2018, there was no information of unsatisfied performance obligations provided in the consolidated financial statements because the durations of the Group's revenue contracts were all less than one year.

(4)Assets recognized from costs to fulfil a contract

None.

(20)Expected credit losses (gains)

	For the year ended December 31,	
	2018	2017 (Note)
Operating expenses – Expected credit losses (gains)		
Trade receivables	$11	

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

The Group does not expect no significant loss against other receivables due to a counterparty being unable to fulfill its obligations. Please refer to Note 12 for more details on credit risk.

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

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 December 31, 2018 is as follow:

(a)The Group condsiders the grouping of trade receivables by counterparties' credit rating and by geographical region and its loss allowance is measured by using a provision matrix, details are as follow:

Group 1

		Overdue				
	Not yet due	Less than 30 days	31-90 days	91-270 days	More than 271 days	Total
Gross carrying amount	$303,406	$19,909	$16,407	$8,789	$1,094	$349,605
Loss ratio	0.11%	1.17%	10.84%	63.63%	100%	
Lifetime expected credit losses	(345)	(233)	(1,779)	(5,593)	(1,094)	(9,044)
Carrying amount of trade receivables	$303,061	$19,676	$14,628	$3,196	$-	$340,561

Group 2

		Overdue				
	Not yet due (Note)	Less than 30 days	31-90 days	91-270 days	More than 271 days	Total
Gross carrying amount	$363,935	$27,647	$15,042	$258	$-	$406,882
Loss ratio	-%	-%	14.32%	83.58%	100%	
Lifetime expected credit losses	-	-	(2,154)	(215)	-	(2,369)
Carrying amount of trade receivables	$363,935	$27,647	$12,888	$43	$-	$404,513

Note: The Group's note receivables are not overdue.

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

(b)The movement in the provision for impairment of notes receivables and trade receivables during the year ended December 31, 2018 is as follows:

	Notes receivables	Trade receivables
Beginning balance (in accordance with IAS 39)	$57	$11,239
Transition adjustment to retained earnings	-	-
Beginning balance (in accordance with IFRS 9)	57	11,239
Addition/(reversal) for the current period	-	11
Write off	-	(18)
Reclassification	(57)	57
Exchange rate impact	-	124
Ending balance	$-	$11,413

(21)Summary statement of employee benefits, depreciation and amortization by function during the years ended December 31, 2018 and 2017:

	For the year ended December 31,					
	2018			2017		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$780,970	$115,155	$896,125	$646,197	$113,838	$760,035
Labor and health insurance	2,686	2,329	5,015	1,798	3,300	5,098
Pension	1,113	1,362	2,475	839	1,897	2,736
Other employee benefits expense	10,034	5,303	15,337	9,098	4,776	13,874
Depreciation	109,695	8,774	118,469	130,594	2,988	133,582
Amortization	2	3,626	3,628	2	2,834	2,836

According to the Articles of Incorporation, no less than 2% of profit of the current year is distributable as employees' compensation and no more than 2% of profit of the current year is distributable as remuneration to directors. The Company may, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

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

For the year ended December 31, 2018, the Company recorded the compensations to employees and to directors in amount of NT$21,527 thousand and NT$10,300 thousand, respectively. While, employees' compensation and remuneration to directors for the year ended December 31, 2017 amounted of NT$18,865 thousand and NT$10,300 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 number of stocks distributed as employees' compensation, if any, shall be calculated based on the closing price one day earlier than the date of shareholders' meeting and considered the impacts of ex-right/ex-dividend.

The Company's Board of Directors' meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$21,527 thousand and NT$10,300 thousand, respectively, in a meeting held on February 26, 2019. 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, 2018.

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.

(22)Non-operating income and expenses

(a)Other income

	For the year ended December 31,	
	2018	2017
Interest income	(Note)	$48,080
Financial assets measured at amortized cost	$54,804	(Note)
Rental income	21,617	18,645
Dividends income	10,684	10,404
Others	3,752	6,708
Total	$90,857	$83,837

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.

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

(b)Other gains and losses

	For the year ended December 31,	
	2018	2017
Losses on disposal of property, plant and equipment	$(473)	$(497)
Foreign exchange gains (losses), net	29,694	(11,805)
Others	(4,266)	(3,860)
Total	$24,955	$(16,162)

(c)Finance costs

	For the year ended December 31,	
	2018	2017
Interest on borrowings from bank	$4,052	$702

(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.

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

	As of December 31,	
	2018	2017
Not later than one year	$1,920	$1,941
More than one year but less than five years	80	2,000
Total	$2,000	$3,941

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2018	2017
Minimum lease payment	$1,925	$2,324

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

(b)Operating lease commitments – Group as lessor

The Group has entered into commercial property leases have average lives between one and two 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 December 31, 2018 and 2017 are as follows:

	As of December 31,	
	2018	2017
Not later than one year	$20,396	$15,450
More than one year but less than five years	16,329	-
Total	$36,725	$15,450

The Group recognized rent income in amount of NT$21,617 thousand and NT$18,645 thousand for the years ended December 31, 2018 and 2017, respectively.

(24)Components of other comprehensive income

	For the year ended December 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
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$680	$-	$680	$-	$680
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	29,045	-	29,045	-	29,045
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	372	-	372	-	372
Total of other comprehensive income	$30,097	$-	$30,097	$-	$30,097

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

	For the year ended December 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
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	$(1,005)	$-	$(1,005)	$-	$(1,005)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(211,668)	-	(211,668)	-	(211,668)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(3,182)	-	(3,182)	-	(3,182)
Total of other comprehensive income	$(215,855)	$-	$(215,855)	$-	$(215,855)

(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%.

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

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

Income tax expense (income) recognized in profit or loss

	For the year ended December 31,	
	2018	2017
Current income tax expense (income):		
Current income tax charge	$149,242	$141,875
Adjustments in respect of current income tax of prior periods	6,356	1,129
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	584	(829)
Deferred tax expense (income) relating to changes in tax rate or the imposition of new taxes	(4)	-
Total income tax expense	$156,178	$142,175

(c)Income tax relating to components of other comprehensive income:

	For the year ended December 31,	
	2018	2017
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$-	$-

(d)Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the year ended December 31,	
	2018	2017
Accounting profit before tax from continuing operations	$705,976	$601,893
Tax payable at the enacted tax rates	$149,010	$142,324
10 % surtax on undistributed retained earnings	-	1,553
Tax effect of expenses not deductible for tax purposes	816	(2,831)
Tax effect of deferred tax assets/liabilities		
Adjustments in respect of current income tax of prior periods	6,356	1,129
The effect of tax rate change	(4)	-
Total income tax expense recognized in profit or loss	$156,178	$142,175

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

(e)Deferred tax assets (liabilities) relate to the following:

	For the year ended December 31, 2018				
	Beginning balance as of Jan. 1, 2018	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	The effect of tax rate change	Ending balance as of Dec. 31, 2018
Temporary differences					
Unrealized loss on inventory valuation	$538	$-	$-	$95	$633
Unrealized exchange loss (gain)	(689)	(584)	-	(122)	(1,395)
Bonus for unused vacation	176	-	-	31	207
Revaluation surplus of land	(16,410)	-	-	-	(16,410)
Deferred tax income/(expense)		$(584)	$-	$4	
Net deferred tax assets/(liabilities)	$(16,385)				$(16,965)
Reflected in balance sheet as follows:					
Deferred tax assets	$714				$840
Deferred tax liabilities	$(17,099)				$(17,805)

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

	For the year ended December 31, 2017				
	Beginning balance as of Jan. 1, 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	The effect of tax rate change	Ending balance as of Dec. 31, 2017
Temporary differences					
Unrealized loss on inventory valuation	$538	$-	$-	$-	$538
Unrealized exchange loss (gain)	(1,518)	829	-	-	(689)
Bonus for unused vacation	176	-	-	-	176
Revaluation surplus of land	(16,410)	-	-	-	(16,410)
Deferred tax income/(expense)		$829	$-	$-	
Net deferred tax assets/(liabilities)	$(17,214)				$(16,385)
Reflected in balance sheet as follows:					
Deferred tax assets	$714				$714
Deferred tax liabilities	$(17,928)				$(17,099)

(f)The assessment of income tax returns

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

	The assessment of income tax returns
Subsidiary- Eurocharm Innovation Co., Ltd.	Assessed and approved up to 2016
Subsidiary- Vietnam Precision Industrial No.1 Co., Ltd.	Assessed and approved up to 2016

(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 year ended December 31,	
	2018	2017
(a)Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$549,798	$459,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,822	65,758
Basic earnings per share (NT$)	$8.35	$6.99
(b)Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$549,798	$459,718
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,822	65,758
Effect of dilution:		
Employee bonus—stock (in thousands)	240	266
Employee stock options (in thousands)	-	10
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,062	66,034
Diluted earnings per share (NT$)	$8.32	$6.96

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of the financial statements.

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

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
Northstar Precision (Vietnam) Company Limited	Other related party
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 year ended December 31,	
	2018	2017
Associates	$155,492	$163,036
Other related party	107,853	-
Total	$263,345	$163,036

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 year ended December 31,	
	2018	2017
Associates	$54,971	$71,532
Other related party	4,237	4,833
Total	$59,208	$76,365

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

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 years ended December 31, 2018 and 2017, the Group were charged by associates for processing and therefore recognized processing expense in amount of NT$48,715 thousand and NT$43,099 thousand, respectively.

(d)For the years ended December 31, 2018 and 2017, the Group charged associates for processing and therefore recognized processing income in amount of NT$165 thousand and NT$178 thousand, respectively, which were recorded under the caption of operating revenues.

(e)For the years ended December 31, 2018 and 2017, the Group were charged by associates due to product defect and therefore recognized compensation in amount of NT$3 thousand and NT$127 thousand, respectively, which were recorded under the caption of operating expenses.

(f)For the years ended December 31, 2018 and 2017, the Group were charged by associates for improved plant and therefore recognized repair expense in amount of NT$63 thousand and NT$0, respectively, which were recorded under the caption of operating expenses.

(g)For the years ended December 31, 2018 and 2017, the Group charged other related parties for provided services and recognized service revenue in amount of NT$1,113 thousand and NT$275 thousand, respectively, which were recorded under non-operating income and expenses-other income.

(h)Disposal of assets transaction

		2018	
	Object of transaction	Price	Gain
Other related party	Machine and equipment	$120	$120

No such matter for the year ended December 31, 2017.

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

(i)Trade receivables from related parties

	For the year ended December 31,	
	2018	2017
Associates	$16,430	$15,487
Other related party	104,102	-
Total	$120,532	$15,487

(j)Other receivables - related parties

	For the year ended December 31,	
	2018	2017
Other related party	$125	$113

(k)Trade payables to related parties

	For the year ended December 31,	
	2018	2017
Associates	$8,616	$7,898
Other related party	456	496
Total	$9,072	$8,394

(l)Lease transactions with related parties

Lessor	Lease	Duration	Rental expense	Payments
For the year ended Dec. 31, 2018				
Other related party	No.10, Ln. 315, Xinshu Rd., Xinzhuang Dist.	Jan. 16, 2018～ Jan. 15, 2020	$1,920	monthly paid by cash
For the year ended Dec. 31, 2017				
Other related party	No.10, Ln. 315, Xinshu Rd., Xinzhuang Dist.	Jan. 16, 2016～ Jan. 15, 2018	$1,920	monthly paid by cash

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

The Group recognized above amounts under manufacturing expense and operating expenses.

Lessee	Lease	Duration	Rental income
For the year ended Dec. 31, 2018			
Associate	Property and plant	Jan. 1, 2018～Dec. 31, 2018	$10,588
Associate	Property and plant	Jan. 1, 2018～Dec. 31, 2018	8,110
Other related party	Property and plant	Aug. 1, 2018～Jul. 31, 2020	2,919
Total			$21,617
For the year ended Dec. 31, 2017			
Associate	Property and plant	Jan. 1, 2017～Dec. 31, 2017	$10,742
Associate	Property and plant	Jan. 1, 2016～Dec. 31, 2017	7,903
Total			$18,645

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

	For the year ended December 31,	
	2018	2017
Short-term employee benefits	$18,959	$18,520
Post-employment benefits	341	341
Share-based payment	7,096	6,521
Total	$26,396	$25,382

8.PLEDGED ASSETS

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

	Carrying amount As of December 31,		
Items	2018	2017	Secured liabilities
Trade receivables	$269,200	$-	Short-term borrowings
Inventories	269,200	-	Short-term borrowings
Property, plant and equipment - land	52,420	52,420	Short-term borrowings
Property, plant and equipment - buildings	493	582	Short-term borrowings
Total	$591,313	$53,002	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 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	VND162,900,000	VND154,755,000	VND8,145,000

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

10.SIGNIFICANT DISASTER LOSS

None.

11.SIGNIFICANT SUBSEQUENT EVENTS

None.

12.OTHERS

(1)Financial instruments

Categories of financial instruments

Financial assets

	As of December 31,	
	2018	2017
Financial assets at fair value through other comprehensive income	$19,431	(Note1)
Available-for-sale financial assets (Note 2)	(Note1)	$11,007
Financial assets measured at amortized cost (Note 3)	1,762,408	(Note1)
Loans and receivables(Note 4)	(Note1)	1,913,728
Total	$1,781,839	$1,924,735

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

Financial liabilities

	As of December 31,	
	2018	2017
Financial liabilities at amortized cost:		
Short-term borrowings	$256,507	$57,021
Trade payables	828,367	541,946
Total	$1,084,874	$598,967

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 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 activates. 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 is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

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 years ended December 31, 2018 and 2017 decreased/increased by NT$3,331 thousand and NT$5,615 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 years ended December 31, 2018 and 2017 to increase/decrease by NT$89 thousand and NT$339 thousand, respectively.

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 trade receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit limits are established for all counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal rating criteria etc. Certain counter parties' credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2018 and 2017, trade receivables from top ten customers represent 80.96% and 86.70% of the total trade receivables of the Group, respectively. The credit concentration risk of other trade receivable is insignificant.

Credit risk from balances with banks 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. Consequently, there is no significant credit risk for these counter parties.

The Group adopted IFRS 9 to assess the expected credit losses since January 1, 2018. Except for the loss allowance of trade receivables is measured at lifetime expected credit losses, the remaining debt instrument investments which are not measured at fair value through profit or loss, low credit risk for these investments is a prerequisite upon acquisition and by using their credit risk as a basis for the distinction of categories.

The Group makes an assessment each reporting date as to whether the credit risk is still meets the conditions of low credit risk and then further determines the method of measuring the loss allowance and the loss ratio. The impairment assessment method for the aforementioned debt instrument investment and related indicators are described as follows:

Item	Indicator	Loss ratio	Measurement method for expected credit losses
Low credit risk	Counter parties with good credit rating	0%～1%	12-month expected credit losses
Credit-impaired	Other impaired evidence	100%	Lifetime expected credit losses

Financial assets are written off when there is no realistic prospect of future recovery (the issuer or the debtor is in financial difficulties or bankruptcy).

When the credit risk on debt instrument investment has increased, the Group will dispose that investment in order to minimize the credit losses. When assessing the expected credit losses in accordance with IFRS 9, the evaluation of the forward-looking information (available without undue cost and effort) is mainly based on the macroeconomic information and the credit loss ratio is further adjusted if there is significant impact from forward-looking information.

(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 and 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.

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

Non-derivative financial liabilities

	Less than 1 year
As of December 31, 2018	
Short-term borrowings	$258,714
Trade and other payables	828,367
As of December 31, 2017	
Short-term borrowings	$57,164
Trade and other payables	541,946

(6)Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended December 31, 2018:

	Short-term borrowings	Guarantee deposits received	Total liabilities from financing activities
As of Jan. 1, 2018	$57,021	$6,052	$63,073
Cash flows	199,295	11,976	211,271
Effect of exchange rate changes	191	69	260
As of Dec. 31, 2018	$256,507	$18,097	$274,604

Reconciliation of liabilities for the year ended December 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.).

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.

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

As of December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equity instrument measured at fair value through other comprehensive income	$-	$-	$19,431	$19,431

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

For the years ended December 31, 2018, there was movement of fair value measurements is as follows:

	Equity instrument measured at fair value through other comprehensive income
	Stock
As of Jan. 1, 2018	$11,007
Acquisition for the year ended Dec. 31, 2018	8,424
As of Dec. 31, 2018	$19,431

Information on significant unobservable inputs to valuation

As of December 31, 2017, the Group did not have financial assets whose fair value were measured in Level 3 of the fair value hierarchy. As of December 31, 2018, such significant unobservable inputs were as follows:

As of December 31, 2018

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Financial assets measured at fair value through other comprehensive income					
Stocks	Market approach	Discount for lack of marketability	5%	The higher the discount for lack of marketability, the lower the fair value of the stocks.	Increase (decrease) in the discount for lack of marketability by 10% would result in increase (decrease) in the Group's other comprehensive income by NT$1,943 thousand.

Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Group's financial department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies at each reporting date.

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

(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					
	Dec. 31, 2018			Dec. 31, 2017		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$20,138	30.73	$618,937	$20,814	29.96	$623,670
VND	$816,780,592	0.001346	$1,099,388	$905,192,761	0.001331	$1,204,813
Investments accounted for under the equity method						
VND	$108,409,170	0.001390	$150,657	$89,027,429	0.001331	$118,496
Financial liabilities						
Monetary items:						
USD	$9,048	31.22	$282,519	$1,871	30.21	$56,525
VND	$416,906,414	0.001346	$561,156	$237,213,727	0.001331	$315,731

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 gains (losses) were NT$29,694 thousand and NT$(11,805) thousand for the years ended December 31, 2018 and 2017, respectively.

(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 December 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 year ended December 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 year ended December 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 year ended December 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 year ended December 31, 2018: None.

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

(i)Derivative instrument transactions: None.

(j)Intercompany relationships and significant intercompany transactions for the year ended December 31, 2018: Please refer to Attachment 6.

(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 December 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 year ended December 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 year ended December 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 year ended December 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 year ended December 31, 2018: Please refer to Attachment 4.

viii. Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018: Please refer to Attachment 5.

ix. Derivative instrument transactions: None.

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

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

14.OPERATING SEGMENT

(1)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.

(2)Geographical information

(a)Revenues from external customers

	For the year ended December 31,	
	2018	2017
Vietnam	$3,042,495	$2,764,397
Other	1,571,703	1,297,769
Total	$4,614,198	$4,062,166

(b)Non-current assets

	As of December 31,	
	2018	2017
Vietnam	$1,558,194	$807,159
Taiwan	73,058	64,971
Total	$1,631,252	$872,130

(3)Information about major customers: sales from individual customers represent over 10% of the Group's operating revenues is as below:

	For the year ended December 31,	
	2018	2017
Customer A	$2,094,859	$1,964,550
Customer B	523,367	429,195

ATTACHMENT 1 (Endorsement/Guarantee provided to others for the year ended December 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: Company name	Receiving party: Relationship (Note2)	Limit of guarantee/endorsement amount for receiving party (Note3)	Maximum balance for the period	Ending balance	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 (Note3)	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
0	Eurocharm Holdings Co., Ltd.	Apex Precision Industrial Ltd.	2	$1,154,642	$169,032 (USD 5,500)	$169,032 (USD 5,500) (Note4)	$-	$-	5.85%	$1,443,303	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	2	$1,154,642	$250,000	$80,000	$-	$-	2.77%	$1,443,303	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	2	$1,154,642	$340,648 (USD 11,000)	$338,063 (USD 11,000) (Note4)	$212,697 (USD 6,921)	$-	11.71%	$1,443,303	Y	N	N

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

Note 2: The relationship between the guarantor of the endorsement and the object to be guaranteed is as follows:

1.The company with business contacts.

2.The company directly and indirectly holds more than 50% of the shares with voting rights.

3.Companies that directly and indirectly holds more than 50% of the shares of the company with voting rights.

4.The company directly and indirectly holds more than 90% of the shares with voting rights.

5.Where a public company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry.

6.A company whose co-investment relationship is endorsed by all shareholders in proportion to their shareholding ratio.

7.The performance guarantee of the preconstruction real estate contract between the same industry in accordance with the Consumer Protection Law is jointly guaranteed.

Note 3: According to the Company's "Endorsement Procedures", the limitation of endorsement or guarantee for other subsidiaries shall not exceed 50% of the current net value of the Company.

The limitation of endorsement or guarantee for one of the subsidiaries shall not exceed 10% of the current net value of Company.

The limitation of endorsement or guarantee for companies that directly and indirectly holds 100% of the shares with voting rights of a single subsidiary not exceed 40% of the current net value of Company.

Note 4: 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: As of Dec. 31, 2018	Original Investment Amount: As of Dec. 31, 2017	Investments as of December 31, 2018: Number of shares	Investments as of December 31, 2018: Percentage of ownership (%)	Investments as of December 31, 2018: Book Value	Net income (loss) of investee company	Investment income (loss) recognized	Note
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%	$2,973,995 (Note 5)	$586,555	$586,555 (Note 5)	Subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Eurocharm Innovation Co., Ltd.	Taiwan	Manufacturing and sales of motor parts and medical eqnipment	61,425	61,425	5,850,000	100.00%	136,772 (Note 5)	32,212	29,654 (Note1) (Note5)	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%	2,656,579 (Note 5)	544,596	544,568 (Note 4) (Note 5)	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%	82,047 (Note 5)	66,911	3,178 (Note 2) (Note 5)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Samoa	Trading activities	USD 900	USD 900	900,000	100.00%	26,706 (Note 5)	5,497	11 (Note 3) (Note 5)	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%	34,689	20,812	9,366	Investment accounted for nnder 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%	91,245	121,632	24,326	Investment accounted for under the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Shiang Yu Precision Co., Ltd.	Vietnam	Design, manufacturing and sales of molds	USD 800	-	-	40.00%	24,723	(858)	(343)	Investment accounted for under the equity method

Note 1: Including investment gain recognized under equity method amounted to NT$32,212 thousand, realized profit on transaction between subsidiaries amounted to NT$13,694 thousand and unrealized profit on transaction between subsidiaries amounted to NT$16,252 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT$66,911 thousand, realized profit on transaction between subsidiaries amounted to NT$44,063 thousand and unrealized profit on transaction between subsidiaries amounted to NT$107,796 thousand.

Note 3: Including investment gain recognized under equity method amounted to NT$5,497 thousand, and unrealized profit on transaction between subsidiaries amounted to NT$5,486 thousand.

Note 4: Including investment gain recognized under equity method amounted to NT$544,596 thousand, and unrealized profit on transaction between subsidiaries amounted to NT$28 thousand.

Note 5: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 3 (Securities held as of December 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 December 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	-	$11,007	6.91%	$11,007	-	None
Eurocharm Innovation Co., Ltd. (B.V.I.)	Northstar Precision (Vietnam) Company Limited	-	Financial assets measured at fair value through other comprehensive income	-	8,424	19.90%	8,424	-	None
	Total				$19,431		$19,431		

ATTACHMENT 4 (Related party transactions with purchase or sales amount of at least NT$100 million or 20 percent of the paid-in capital for the year ended December 31, 2018)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

			Transactions				Details of non-arm's length transaction		Notes and trade receivables (payable)		
Purchase (sales) company	Related party	Relationship	Purchases (Sales)	Amount	Percentage of total purchases (sales) (%)	Term	Unit Price	Term	Balance	Percentage of total balances (%)	Note
Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	$382,181	63.93%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables $42,691	45.65%	1
Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	$436,042	100.00%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables $234,831	100.00%	1
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	Sales	$107,853	2.45%	60~90 days after monthly closing	By product type, cost, market price and other trading terms.	Non related parties are 60~90 days after monthly closing	Trade receivables $104,102	14.75%	

Note 1: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 5 (Receivables from related of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2018)

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

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

Company Name	Related Party	Relationships	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Periods	Loss Allowance
					Amount	Action Taken		
Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	$234,831 (Note1, 2)	3.37	$-	-	$13,426	$-
Vietnam Precision Industrial No.1 Co., Ltd.	Northstar Precision (Vietnam) Company Limited	Other related party	$104,102 (Note1)	2.07	$-	-	$42,567	$-

Note 1: Trade receivables.

Note 2: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 6 (Intercompany relationships and significant intercompany transactions for the year ended December 31, 2018 and 2017)

(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)
	Year 2018						
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	$382,181	60~90 days after monthly closing	8.28%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	42,691	60~90 days after monthly closing	1.01%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other receivables	45	-	-%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	130	-	-%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other loss	1	-	-%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	436,042	60~90 days after monthly closing	9.45%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	234,831	60~90 days after monthly closing	5.57%
3	Optimal Victory Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	29,747	60~90 days after monthly closing	0.64%
3	Optimal Victory Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	9,163	60~90 days after monthly closing	0.22%
4	Vietnam Precision Industrial No.1 Co., Ltd.	Eurocharm Innovation Co., Ltd.	3	Sales	207	60~90 days after monthly closing	-%
	Year 2017						
1	Eurocharm Holdings Co., Ltd.	Apex Precision Industrial Ltd.	1	Other receivables	$3,032	60~90 days after monthly closing	0.09%
1	Eurocharm Holdings Co., Ltd.	Optimal Victory Ltd.	1	Other receivables	278	60~90 days after monthly closing	0.01%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	221,307	60~90 days after monthly closing	5.45%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	40,791	60~90 days after monthly closing	1.22%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	65	-	-%
2	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other loss	62	-	-%
3	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	157,110	60~90 days after monthly closing	3.87%
3	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	23,930	60~90 days after monthly closing	0.72%

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.