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

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

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

Consolidated financial statements

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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

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2018 and 2017

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			
Accounts	Notes	2018	2017
Current assets			
Cash and cash equivalents	4, 6(1)	$674,941	$671,100
Financial assets measured at amortized cost	4, 6(2)	321,694	-
Debt instrument investments for which no active market exists	4, 6(3)	-	652,958
Notes receivables	6(4)	34	8
Trade receivables	4, 6(5), 6(20),8	624,508	548,765
Trade receivables-related parties	4, 6(5), 6(20),7	120,532	15,487
Other receivables		21,232	26,061
Other receivables-related parties	7	125	113
Inventories	4, 6(6), 8	668,830	416,840
Prepayments		64,265	120,861
Other current assets		68,651	7,501
Total current assets		2,564,812	2,459,694
Non-current assets			
Financial assets measured at fair value through other comprehensive income	4, 6(7)	19,431	-
Financial assets carried at cost	4, 6(8)	-	11,007
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
Intangible assets	4, 6(11)	12,230	5,343
Deferred tax assets	4, 6(25)	840	714
Other non-current assets	6(12)	308,452	400
Total non-current assets		1,651,523	883,851
Total assets		$4,216,335	$3,343,545

Liabilities and Equity			
Accounts	Notes	2018	2017
Current liabilities			
Short-term borrowings	6(13), 8	$256,507	$57,021
Contract liabilities	4, 6(19)	59,738	-
Notes payables		3	1
Trade payables		571,149	353,259
Trade payables-related parties	7	9,072	8,394
Other payables	6(14)	248,143	180,292
Current tax liabilities	4, 6(25)	129,405	109,007
Other current liabilities		860	24,959
Refund liabilities		10,032	-
Total current liabilities		1,284,909	732,933
Non-current liabilities			
Deferred tax liabilities	4, 6(25)	17,805	17,099
Other non-current liabilities	6(15), 6(16)	27,016	24,076
Total non-current liabilities		44,821	41,175
Total liabilities		1,329,730	774,108
Equity attributable to shareholders of the parent			
Capital			
Common stock	6(17)	658,262	658,092
Capital surplus		836,782	836,374
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 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.

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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.

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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.

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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 equipment	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 under 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

				Investments as of December 31, 2018					
Company	Investee Company	Relationship	Financial statement account	Number of shares	Book Value	Percentage of ownership (%)	Fair Value	Note	Shares as collateral
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.