Annual Report 2017

EUROCHARM

Stock ID 5288

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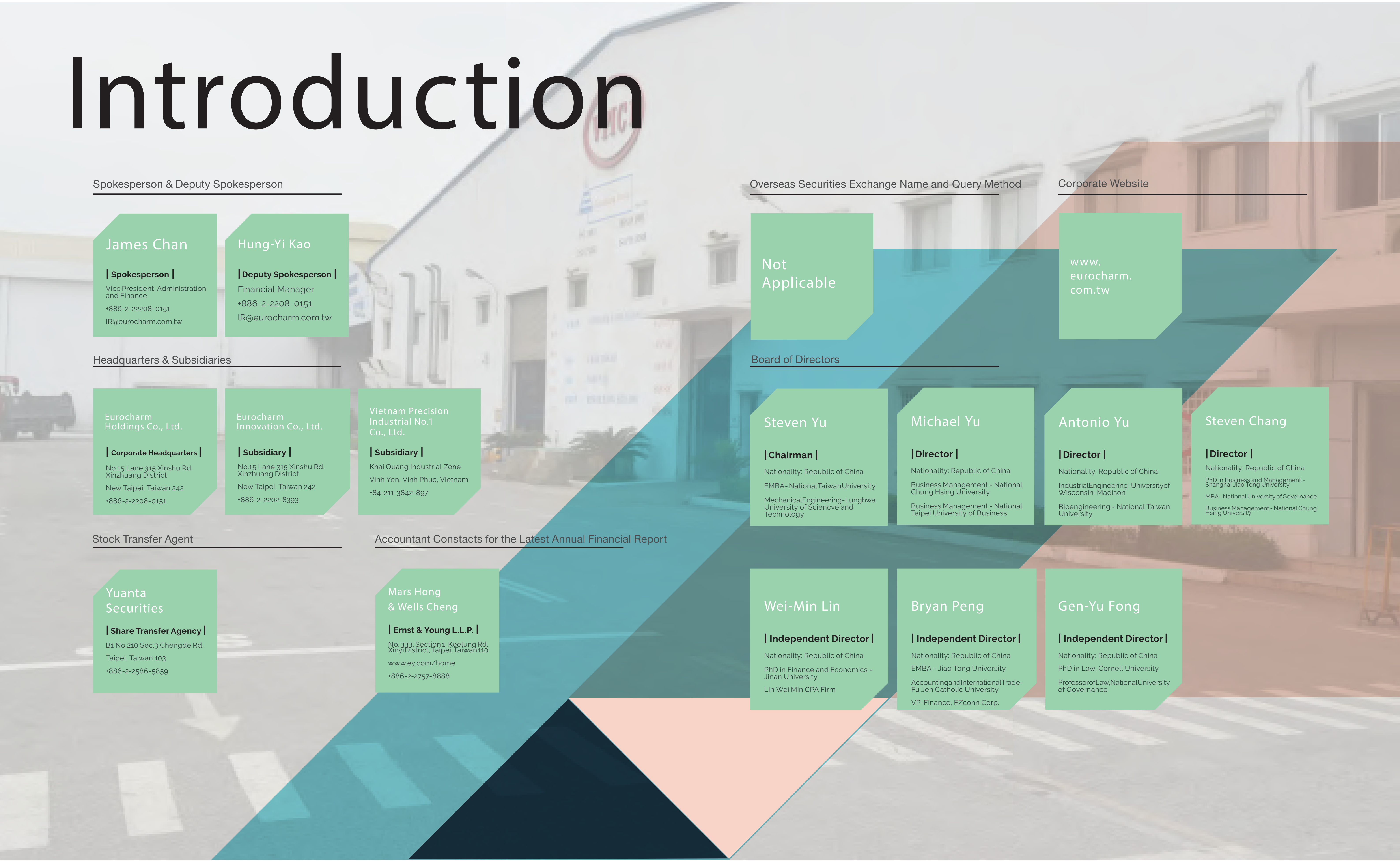
Taiwan Stock Exchange Market Observation System http://mops.twse.com.tw
This annual report is available at http://www.eurocharm.com.tw



Introduction

Spokesperson & Deputy Spokesperson

James Chan

| Spokesperson |

Vice President, Administration and Finance

+886-2-22208-0151

IR@eurocharm.com.tw

Hung-Yi Kao

| Deputy Spokesperson |

Financial Manager

+886-2-2208-0151

IR@eurocharm.com.tw

Headquarters & Subsidiaries

Eurocharm Holdings Co., Ltd.

| Corporate Headquarters |

No.15 Lane 315 Xinshu Rd.
Xinzhuang District
New Taipei, Taiwan 242
+886-2-2208-0151

Eurocharm Innovation Co., Ltd.

| Subsidiary |

No.15 Lane 315 Xinshu Rd.
Xinzhuang District
New Taipei, Taiwan 242
+886-2-2202-8393

Vietnam Precision Industrial No.1 Co., Ltd.

| Subsidiary |

Khai Quang Industrial Zone
Vinh Yen, Vinh Phuc, Vietnam
+84-211-3842-897

Stock Transfer Agent

Yuanta Securities

| Share Transfer Agency |

B1 No.210 Sec.3 Chengde Rd.
Taipei, Taiwan 103
+886-2-2586-5859

Accountant Constacts for the Latest Annual Financial Report

Mars Hong & Wells Cheng

| Ernst & Young L.L.P. |

No. 333, Section 1, Keelung Rd.
Xinyi District, Taipei, Taiwan 110
www.ey.com/home
+886-2-2757-8888

Overseas Securities Exchange Name and Query Method

Not Applicable

Corporate Website

www.eurocharm.com.tw

Board of Directors

Steven Yu

| Chairman |

Nationality: Republic of China

EMBA-National Taiwan University

Mechanical Engineering-Lunghwa University of Sciencve and Technology

Michael Yu

| Director |

Nationality: Republic of China

Business Management - National Chung Hsing University

Business Management - National Taipei University of Business

Antonio Yu

| Director |

Nationality: Republic of China

Industrial Engineering-University of Wisconsin-Madison

Bioengineering - National Taiwan University

Steven Chang

| Director |

Nationality: Republic of China

PhD in Business and Management - Shanghai Jiao Tong University

MBA - National University of Governance

Business Management - National Chung Hsing University

Wei-Min Lin

| Independent Director |

Nationality: Republic of China

PhD in Finance and Economics - Jinan University

Lin Wei Min CPA Firm

Bryan Peng

| Independent Director |

Nationality: Republic of China

EMBA - Jiao Tong University

Accounting and International Trade-Fu Jen Catholic University

VP-Finance, EZconn Corp.

Gen-Yu Fong

| Independent Director |

Nationality: Republic of China

PhD in Law, Cornell University

Professor of Law, National University of Governance

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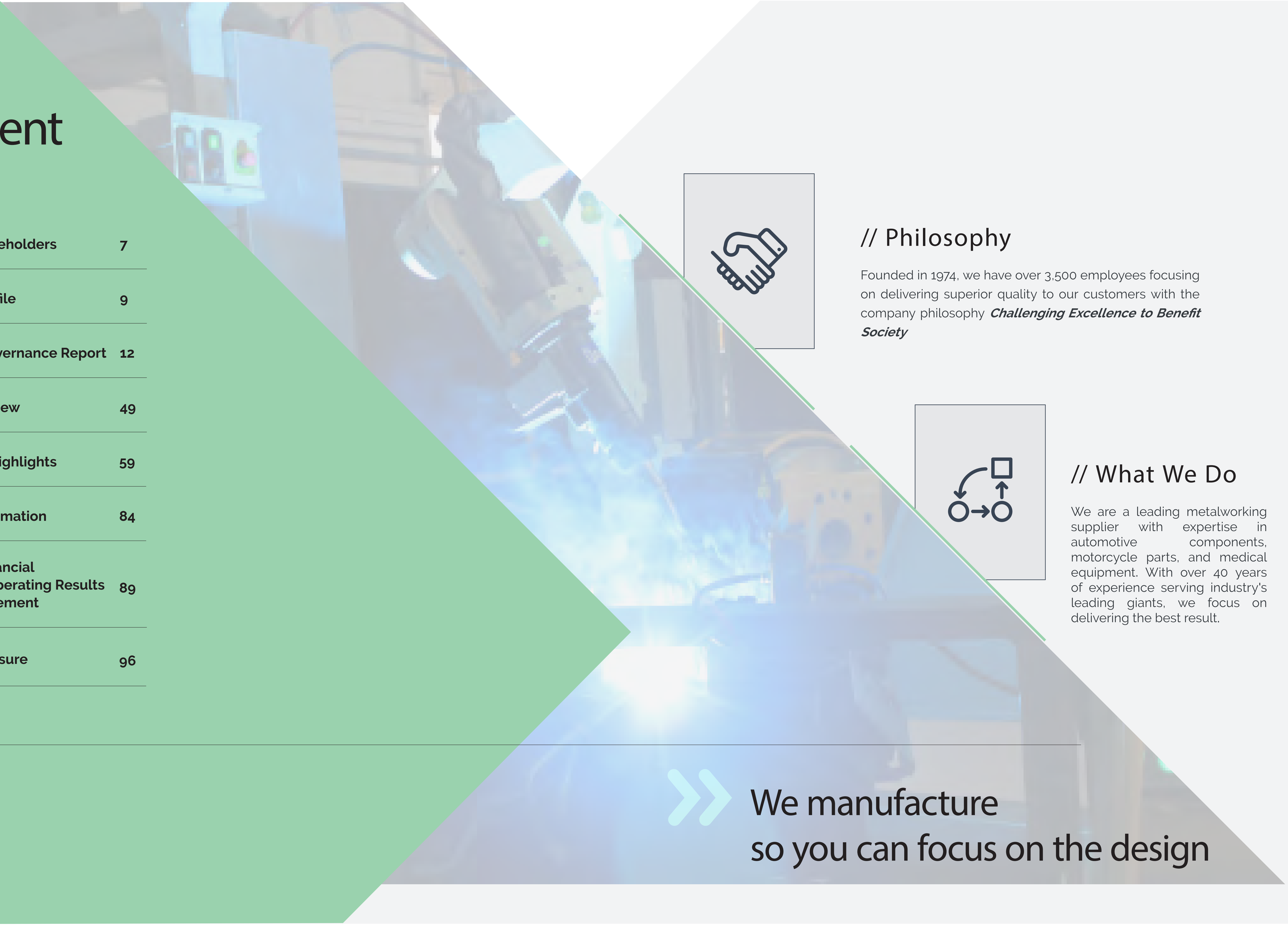


// Philosophy

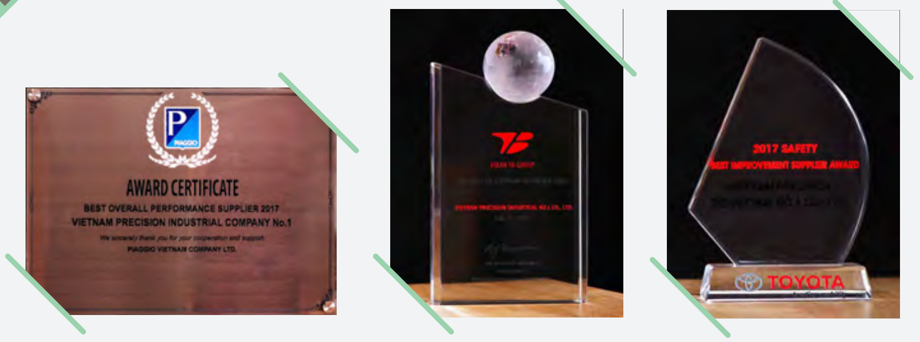
Founded in 1974, we have over 3,500 employees focusing on delivering superior quality to our customers with the company philosophy ***Challenging Excellence to Benefit Society***

// What We Do

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

We manufacture
so you can focus on the design

I. Letter to Shareholders



In 2017, the Company's subsidiary, Vietnam Precision Industrial Company No.1, has won 6 supplier awards, and above are Best Overall Performance supplier from Piaggio, The Best of Vietnam Supplier from Toyota Boshoku and Best Safety Improvement Supplier Award from Toyota (left to right).

> In 2018, Eurocharm Group will continue to invest in better equipment and carry out new orders.

Chairman Speach

A year of significant progress

Allow me to take this opportunity to welcome you to our 2018 Annual Shareholders Meeting and express my deepest gratitude for your continued support. The following is the outcome of our operations in 2017 and the objectives for the upcoming years.

Operating Results

The total consolidated revenue for 2017 was NT$ 4,062,166 thousand, and the consolidated operating margin was NT$ 726,878 thousand. The total net profit after tax was NT$ 459,718 thousand, in which vested consolidated net profit after tax to the shareholders of the parent company was NT$ 459,718 thousand. The basic earnings per share after-tax merger were NT$ 6.99.

Net Assets and Liabilities

For the year ended December 31, 2017, the total consolidated assets amounted NT$3,343,545 thousand. The total consolidated liabilities was NT$774,108 thousand which accounted for the merger total consolidated assets of 23.15%. The total consolidated shareholders' equity was NT$2,569,437 thousand which marked 76.85% of the total consolidated assets.

Profitability Analysis

The basic earnings per share after tax was NT$ 6.99. The net profit was 11.32%. The rate of return on assets was 13.88%, and the return on equity was 17.85%.

Future Development and Strategies

1. Expansion of Capacity

To cope with the customers' medium-term plans for the next three to five years, the Company's capital expenditures this year will continue to be planned in line with the new orders and capacity requirements of new products. Especially motorbikes, automobiles and recreational vehicles will have obvious and significant growth in the coming years. Therefore, related capital expenditures will also continue to rise steadily.

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

2. Growth in Medical Products

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

3. Development of Electric Scooters and Recreational Vehicles

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

4. Development of Automobile Parts

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

Looking back at 2017, Vietnam's overall economy has gradually recovered. Consumers' willingness to purchase has significantly risen compared to the previous period which contributed substantially to the overall revenue in 2017. As for the result of operations at large, due to the gradual increase in exchange rate fluctuations in recent years and the intensification of competition between trailers and components in Vietnam, the overall revenue and profitability of 2017 have experienced a slight decline from 2016. However, with regard to actual product shipments and market share, the Company's performance continues to remain stable and upward, and through the Company's internal process and automation improvements, the Company will continue to maintain a high degree of competitiveness.

Entering 2018, Eurocharm group will continue to refine our management and technology of production process to reduce customer risk. Along with the mission of providing the highest quality and manufacturing capacity, our teams determine to obtain more purchase orders for another record-breaking year. The Company would like to take this opportunity to thank you for your long-term support and belief in us. The Company upholds the business philosophy of challenging for continuous improvement and cherishing every working opportunity. One step at a time, Eurocharm group will raise the profits and competitiveness to achieve beyond the public's expectations.

Sincerely yours,

Chairman

Steven Yu

GeneralManager

Steven Yu

ChiefAccountant

James Zhan

Total Consolidated Revenue	NT$ 4,062,166 thousand
Consolidated Operating Margin	NT$ 726,878 thousand
Total Net Profit After Tax	NT$ 459,718 thousand
Basic Earings Per Share After Tax	NT$ 6.99
Net Profit	11.32%
Rate of Return on Assets	13.88%
Return on Equity	17.85%

II Company Profile

2.1 Company and Group

Eurocharm Innovation

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

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

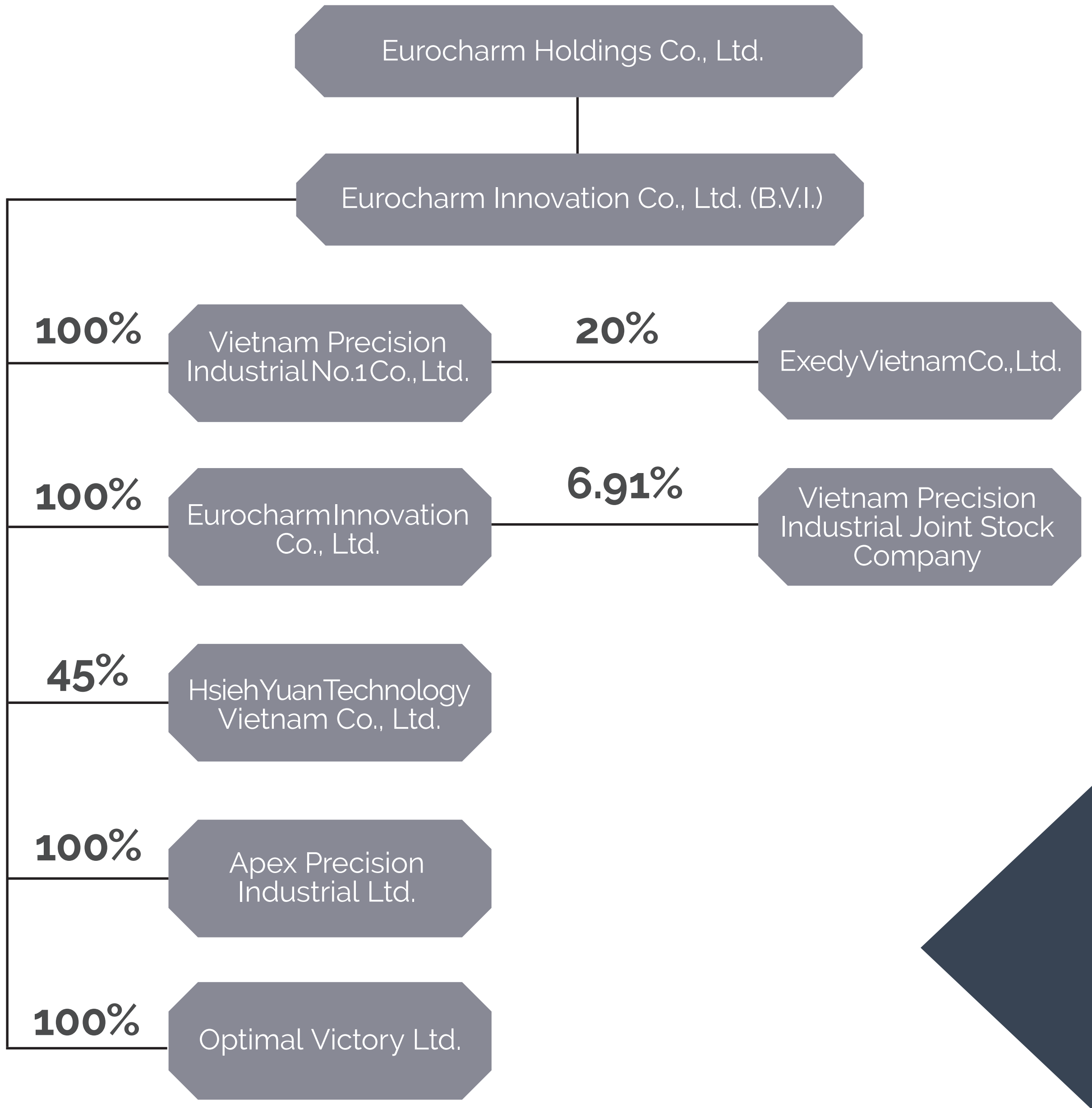
VPIC1 has since obtained several ISO certificates over the years, and employees approximately 3,500 staffs and managers at the moment.

Eurocharm Holdings

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

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

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



2.2 COMPANY HISTORY

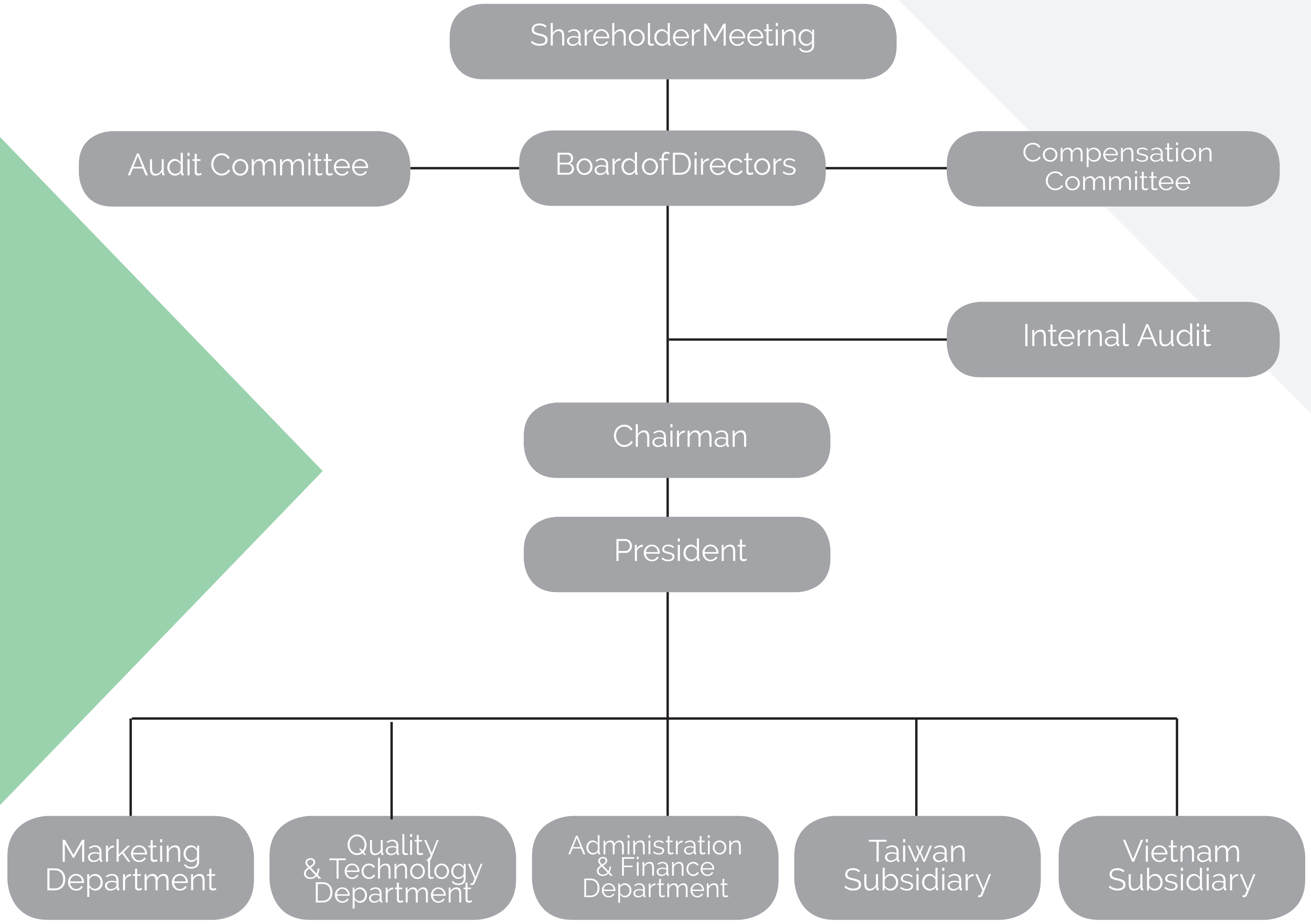
Year	Milestone
2017	Construction Completion of the 5th Factory in Vietnam
2016	Established Optimal Victory Ltd.
2015	Installed TRUMPF TruLaser Tube
	Passed the OHSAS18001 certification
	Established Apex Precision Industrial Ltd.
2014	Installed a Mitsubishi 3D laser cutting machine
	Awarded with Ford Q1 Preferred Quality Award
	Publicly listed in Taiwan Stock Exchange (TWSE) on September 25
2013	Introduced liquid painting production line
	Re-elected the 7 directors including 3 independent directors. Set up the Audit and Remuneration Committees. The share capital of Eurocharm Holdings Co., Ltd. was converted from US$17,473,537 with the ratio of 1: 3.2548746 into denomination of NT shares per share on October 25, 2013 at the provisional shareholders' meeting. After the conversion, the Company's capital was NT$568,741,530, each denomination was NT$10, 56,874,153 in total
2012	After a capital increase of US$473,537, the Company's share capital was US$17,473,537, US$1 per share, 17,473,537 shares in total
2011	Restructured the organization of the group to establish Eurocharm Holdings Co., Ltd. Eurocharm Holdings Co., Ltd. issued a US$17,000,000 stake in acquiring the shares of Eurocharm Innovation Co., Ltd. 100% owned by New General Ltd. and Seashore Group Ltd.
2010	Jointed venture to establish Hsieh Yuan Technology Vietnam Co, Ltd. which specializes in zinc, nickel, chromium and hard chrome plating
	Passed the ISO13485 certification
2009	Introduced hydraulic stamping production line up to 1,200 tons
2007	Passed the ISO/TS16949 and ISO14001 certification
2006	Jointed venture with EXEDY Japan to establish EXEDY Vietnam, main products are motorcycle clutches
2004	Stationed epoxy-based e-coating production line
2003	Launched aluminum die-casting, CNC machining and passed the ISO9001 certification
2002	Installed stamping, tube bending, robotic welding, as well as, liquid and powder coating production lines
2001	Established Vietnam Precision Industrial No.1 Co., Ltd. (VPIC1)
1994	Began the production of walkers and rollators
1988	Initiated the production of healthcare equipment parts and products
1983	Introduced and utilized an automated welding robot production line
1974	Established Eurocharm Taiwan as a professional manufacturer of motorcycle parts

2.3 Risk Disclosure

Please see page 89 for details.

III Corporate Governance Report

3.1 Organization



3.1.1 Departments

[Compensation Committee]

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

[Internal Audit]

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

[Marketing Department]

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

[Chairman]

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

[Audit Committee]

Oversees the financial reporting and the implementation of the business

[President]

Executes the organization's vision and oversees the management

[Administration & Finance Department]

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

[Quality & Technology Department]

Develops new designs and reviews quality control of the products

3.2 Directors, Supervisors and Management Team

3.2.1 Chairman, Directors and Supervisors

04/16/2018
Unit:ThousandShares

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

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

3.2.2 Major Shareholders of the Institutional Shareholders

04/16/2018

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

3.2.3 Major Shareholders of the Company's Major Institutional Shareholders

04/16/2018

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

3.2.4 Professional Qualifications and Independence Analysis of Directors and Supervisor

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

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

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

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

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

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

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

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

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

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

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

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

MANAGEMENT TEAM

3.2.5

04/16/2018 (Book Closure Date) ; Unit: Share

Title	Nationality/ Country of Origin	Name	Gender	DateEffective	Shareholding		Spouse&Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	ManagerswhoareSpouses or Within Two Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
General Manager	R.O.C.	Steven Yu	Male	12/20/2016	0	0.00	0	0.00	0	0.00	EMBA-National Taiwan University Mechanical Engineering-Lunghwa University of Science and Technology	Chairman, Eurocharm Group Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. Chairman, Shen Yuan Metal Co., Ltd. Supervisor, Song Fong Development Co., Ltd. Director,TaiwanTechnoState Co., Ltd. Chairman,EurocharmHoldings Co., Ltd. Chairman, Eurocharm Innovation Co., Ltd. (B.V.I.) Director, Exedy Vietnam Co., Ltd. Chairman,VietnamPrecision Industrial No.1 Co., Ltd. Director, New General Ltd. Director,SeashoreGroupLtd. Director,OptimalVictoryLtd. Director, New Outlook Ltd. Director, Partner Plus Director, Apex Precision Industrial Ltd.	-	-	-
Deputy General Manager-Taiwan Office	R.O.C.	Robert Lin	Male	11/10/2014	0	0.00	0	0.00	0	0.00	NationalKaohsiung University AssociateManager, Production, Eurocharm InnovationCo.,Ltd.	DeputyGeneralManager, Eurocharm Innovation Co., Ltd.	-	-	-
Deputy General Manager -Vietnam Office	R.O.C.	Andy Wu	Male	12/20/2016	115,225	0.18	0	0.00	0	0.00	Lee-MingInstitute of Technology Automation Management, Tatting Company	General Manager, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deputy General Manager	R.O.C.	James Zhan	Male	09/23/2013	71,000	0.11	0	0.00	0	0.00	Business Management-National Taipei University of Business AssociateManager, Eurocharm InnovationCo.,Ltd.	Manager,Administration, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deputy General Manager	R.O.C.	Cina-Jin Zhan	Male	09/23/2013	148,298	0.23	0	0.00	0	0.00	KaiMingTechnical and Commercial VocationalSchool Manager, Bank SinoPacShanghai	Manager, Quality & Technology, Vietnam Precision Industrial No.1 Co., Ltd.	-	-	-
Deupty General Manager	R.O.C.	Cheng-Wen Wang	Male	12/20/2016	28,015	0.04	0	0.00	0	0.00	Deputy General Manager, Production Line, VietnamPrecision Industrial No.1 Co., Ltd.	-	-	-	-

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

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

3.3.1 Remuneration of Directors (Including Independent Directors)

Unit: NT$ thousands

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directorsfrom an Invested Company Otherthanthe Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary,Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G)						
		TheCompany	All companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	TheCompany	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
																Cash	Stock	Cash	Stock			
Chairman (Legal Representative)	Steven Yu (Note 1)	2,288	2,288	-	-	3,300	3,300	-	-	1.22	1.22	-	1,150	-	-	-	-	-	-	1.22	1.47	N/A
Chairman (Legal Representative)	Michael Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.33	0.33	1,440	2,542	-	-	1,120	-	1,120	-	0.88	1.12	N/A
Chairman (Legal Representative)w	Antonio Yu (Note 1)	-	-	-	-	1,500	1,500	-	-	0.33	0.33	1,440	2,206	-	-	971	-	971	-	0.85	1.03	N/A
Director	Steven Chang	-	-	-	-	1,000	1,000	120	120	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	N/A
Independent Director	Wei-Min Lin	-	-	-	-	1,000	1,000	120	120	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	N/A
Independent Director	Bryan Peng	-	-	-	-	1,000	1,000	120	120	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	N/A
Independent Director	Gen-YuFong	-	-	-	-	1,000	1,000	120	120	0.24	0.24	-	-	-	-	-	-	-	-	0.24	0.24	N/A
Total		2,288	2,288	-	-	10,300	10,300	480	480	2.84	2.84	2,880	5,898	-	-	2,091	-	2,091	-	3.91	4.58	-

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

Range of Remuneration

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

3.3.2 Remuneration of Supervisors

N/A, no supervisors at the Company.

3.3.3 Remuneration of the General Manager and the Deputy General Managers

Unit: NT$ thousands

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		ProfitSharing-EmployeeBonus (D)				Ratiooftotalcompensation (A+B+C+D) to net income (%)		Compensation paid to the PresidentandVicePresident from an Invested Company Other Than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in theconsolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
General Manager[1]	Steven Yu	-	9,137	-	341	-	718	4,431	-	4,431	-	0.96	3.18	N/A
DeputyGeneralManager	Robert Lin													
DeputyGeneralManager	James Zhan													
DeputyGeneralManager	Andy Wu													
DeputyGeneralManager	Cina-Jin Zhan													
DeputyGeneralManager	Cheng-Wen Wang													

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

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

3.3.4 REMUNERATION OF THE EXECUTIVE OFFICERS

12/31/2017 Unit: NT$ thousands

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	Executive Assistant	Michael Yu	0	6,521	6,521	1.42
	Executive Assistant	Antonio Yu				
	Deputy General Manager	Robert Lin				
	Deputy General Manager	James Zhan				
	Deputy General Manager	Andy Wu				
	Deputy General Manager	Cina-Jin Zhan				
	Deputy General Manager	Cheng-Wen Wang				

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

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

Title	2016				2017			
	Total remuneration paid to directors, supervisors, presidents and vice presidents (thousands)		Ratio of total remuneration paidtodirectors,supervisors, presidentsandvicepresidents to net profit (%)		Total remuneration paid to directors, supervisors, presidentsandvicepresidents (thousands)		Ratio of total remuneration paidtodirectors,supervisors, presidentsandvicepresidents to net profit (%)	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Directors	22,965	39,011	4.87	8.27	21,989	35,682	4.78	7.76
General Manager, Deputy General Managers								

Note 1: The net profits in 2017 and 2016 referred to the after-tax net profits in the financial reports.

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

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

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

3.4 Implementation of Corporate Governance

3.4.1 BOARD OF DIRECTOR'S

A total of 6 (A) meetings of the Board of Directors were held in the the most recent year (2017). The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Chairman	New General Limited Representative: Steven Yu	6	0	100	Elected on 06/23/2016
Director	Seashore Group Ltd. Representative: Michael Yu	6	0	100	Elected on 06/23/2016
Director	Seashore Group Ltd. Representative: Antonio Yu	5	1	83	Elected on 06/23/2016
Director	Steven Chang	6	0	100	Elected on 06/23/2016
Independent director	Bryan Peng	5	1	83	Elected on 06/23/2016
Independent director	Wei-Min Lin	6	0	100	Elected on 06/23/2016
Independent director	Gen-Yu Fong	5	1	83	Elected on 06/23/2016

Other mentionable items:

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

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

Date	Session	Content	Opinions and Suggestions
03/16/2017	5th; 3rd Session	- Revision of the company's "Acquisition or Disposition of Asset Handling Procedures" - Company's endorsement guarantee for affiliated companies - Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd. as a subsidiary company of the Company	Unanimous consent
08/10/2017	7th; 3rd Session	- Company's endorsement guarantee for affiliated companies	
11/07/2017	9th; 3rd Session	- Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary company of the Company	
12/22/2017	10th; 3rd Session	- Appointed Ernst & Young Certified Public - Accountants as an Independent Accountant for the Company's 2018 Financial Statement	

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

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

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

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

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

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

4. The attendance of the independent directors in 2017:

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

2017	1st	2nd	3rd	4th	5th	6th
Bryan Peng	V	D	V	V	V	V
Wei-Min Lin	V	V	V	V	V	V
Gen-Yu Fong	V	V	V	D	V	V

3.4.2 AUDIT COMMITTEE

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

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	5	0	100	Elected on 06/29/2016
Committee Member	Gen-Yu Fong	5	0	100	Elected on 06/29/2016
Committee Member	Bryan Peng	4	1	80	Elected on 06/29/2016

Other mentionable items:

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

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

Date	Session	Content	Opinions and Suggestions
03/16/2017	5th; 3rd Session	- Proposed approval of 2016 annual business report and consolidated financial statement of the company - Self-inspection results report of the 2016 internal control system and discussion of the internal control system statement - Revision of the company's "Acquisition or Disposition of Asset Handling Procedures - Company's endorsement guarantee for affiliated companies - Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary company of the Company	Unanimous consent
08/10/2017	7th; 3rd Session	- Company's endorsement guarantee for affiliated companies	
11/07/2017	9th; 3rd Session	- Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary company of the Company	
12/22/2017	10th; 3rd Session	– Appointed Ernst & Young Certified Public Accountants as an Independent Accountant for the Company's 2018 Financial Statement	

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

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

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

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

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

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

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

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Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
3.Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) Member diversification is considered by the Board members. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge, and terms of service. The Board objectively chooses candidates to meet the goal of member diversification. Status of board members' diversification implementation	None
(2) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (3) Does the Company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	V		(2) In order for the sound supervision and reinforcement of management, the Company established the Nomination and Risk Management Committee in addition to the Remuneration Committee and the Audit Committee. These working committees shall be responsibilities for the Board of Directors. (3) The Company has formulated rules and procedures for evaluating the Board’s performance and conducts it annually. The Company uses two methods to evaluate the performance of the Board. The results of the most recent (2017) board performance evaluation are as follows: 1. The achievement rate of the board of director’s self-evaluation is 100% 2. The achievement rate of board member’s self-evaluation is 100%. (4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.	None

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

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

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

Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			(4) Suppliers Concerns: Supplier Management/Environmental Protection, Safety and Health Management/ Environmental Aspects Ordinance/Anti-Corruption Communication channels and response methods: I. Participates in supplier management meetings II. Regularly reviews supplier quality, delivery and sustainability III. Conducts supplier evaluation management IV. Requires suppliers to abide by the Company's honesty policy	
6. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?	v		The Company designates Yuanta Securities Co., Ltd. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	v		The Company has set up a Chinese/English website (www.eurocharm.com.tw) to disclose information regarding the Company's financials, business, and corporate governance status. The Company has assigned an appropriate person to handle information collection and disclosure. The Company has established a spokesman system. Investor conference information is disclosed on the corporate website.	None
8. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	v		(1) The directors of the Company have been regulated in continuing education in accordance with the "Publications, Directors of OTC Companies, Supervisors' Training and Implementation Highlights", following is the firectors' and independent directors' training records in 2017: Chairman Steven Yu 6H " 2017 Internal Trading and Corporate Social Responsibility Seminar" and "Corporate Governance Forum - Family Business Succession" Director Michael Yu 6H "2017 Internal Trade and Corporate Social Responsibility Symposium" and "TIntroduction to Legal Adherence Notices for the Equity Deal of Listed Companies" Director Antonio Yu 6H "Legislation of Insiders of Listed Companies' Equity Interests Follows Declaration Guides" and "Corporate Governance Forum - Corporate Sustainability Management."	None

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Evaluation Item	Implementation Status			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/ TPEx Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
			Director Steven Chang 8H "Corporate Governance Forum - Inheritance of Family Businesses", " How to Strengthen Board Functions and Directors' Capabilities" and " Reading Financial Statements and Board Operations." Independent Director Bryan Peng 9H "Introduction of legal notices for listed companies on insider equity transactions" and "2017 Xu Yuandong Memorial Financial Forum." Independent Director Wei-Min Lin 19H "Examples of first-time application for enterprise financial reporting", "2016 Key points and doubts in the tax declaration", " Corporate dilemma for the anti-tax avoidance and anti-money laundering financial account", " Association of Auditing Standards No. 59, 60, and 61" and "Accountants' Prevention of Money Laundering"" Independent Director Gen-Yu Fong 6H "Corporate Governance Forum - Corporate Sustainability Management" and "Corporate Governance and Securities Regulations - Discussion from the Board of Directors' Functional Committees" (2) Board Meetings: The Company has established regulations towards board meetings including the specific procedures, directors' attendances, and the voting rights. (3) Investor Relations: The Company has a spokesperson system, a litigation representative and a non-litigation representative in the territory of the Republic of China for immediate assistance of the investors, customers, suppliers and other interested parties. News regarding the company's finances is announced on "MOPS" to provide timely information that may affect the decisions of investors. (4) Rights of Interested Parties: The Company maintains positive communication channels with banks, employees, customers, suppliers and stakeholders. (5) Implementation of Risk Management and Evaluation: The Company has established internal regulations and related management practices. (6) The Company has purchased liability insurance for its directors and managers since the year 2017. (7) For more information and disclosures, please visit: http://www.eurocharm.com.tw	None
Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.	v		The Company has reported the result of last year's corporate governance evaluation to the Board of Directors. For significant improvement in the future, the Company had assigned dedicated staff to establish improvement plans targeting the non-scoring items.	None

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

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

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company or any subsidiary as appointed by the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified Company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, Company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

B. Attendance of Members at Remuneration Committee Meetings

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

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

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

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

C. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 2 (A) Remuneration Committee meetings were held in the term from June 29, 2016 to June 23, 2019. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) [B/A]	Remarks
Convener	Wei-Min Lin	2	0	100	Elected on 06/29/2016
Committee Member	Gen-Yu Fong	2	0	100	Elected on 06/29/2016
Committee Member	Bryan Peng	2	0	100	Elected on 06/29/2016

Other mentionable items:

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

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

3.4.5 CORPORATE SOCIAL RESPONSIBILITY

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
1. Exercising corporate governance (a) Has the Company formulated CSR policies or established a CSR system and does it review the implementation results? (b) Does the Company organize CSR-related educational training on a regular basis? (c) Has the Company established exclusively (or concurrently) dedicated units to be in charge of proposing and enforcing CSR policies and has the board authorized the top management level to handle CSR-related matters and report the progress to the board? (d) Has the Company formulated reasonable remuneration and compensation policies? Is the employee performance evaluation system linked to CSR policies? Is a clear and effective reward and penalty system in place?	V		(a) The Company has formulated CSR Best Practice Principles and handles CSR related matters in accordance with these principles. (b) The Company organizes CSR-related training courses and education on a scheduled and non-scheduled basis. (c) Management departments of the Company concurrently serve as dedicated CSR units during the current stage and are in charge of promoting CSR-related operations. The 2017 business development is as follows and reported to the first board of directors' meeting in 2018: I. Each year in June and December is the company's environmental awareness month, advising employees on various energy conservation and carbon reduction policies. II. The company has established policies on hazardous substance management to prevent harmful substances from mixing into products to protect the global environment. III. The Group cooperated with the government agencies of Yong'an City in Vietnam to distribute relief funds for families in distress. The Group's 2017 annual donation of VND$ 50 million to help families in distress. IV. Employee health checks are regularly performed and special medical examinations are conducted for special workers to ensure the health of employees. (d) The Company has established an employee performance evaluation system and provides relevant education during meetings or staff training on a non-scheduled basis. The Company also actively schedules advanced training courses for board directors to reinforce their understanding of corporate governance. However, the employee performance evaluation system has not yet been linked to CSR policies. "Remuneration Management Approach" and "Assessment of Operational Measures" are implemented to promote salary adjustment opportunities regularly, reward outstanding employees, distribute performance bonuses based on the company's operating performance and employee performance. The company organizes various activities in cooperation with labor unions during important festivals. At the end of the year, it also provides separate departmental annual meal allowances. The entire company implements improvement proposals, and if the proposals effectively increase efficiency or reduce costs, bonuses are granted to encourage them.	None
2. Fostering a sustainable environment (a) Does the Company endeavor to utilize all resources more efficiently and use renewable materials which have a low impact on the environment? (b) Has the Company established a proper environmental management system based on the characteristics of its industry? (c) Does the Company monitor the impact of climate change on business activities? Does it carry out greenhouse gas inventories and has it formulated energy conservation, carbon reduction, and gree house gas reduction strategies?	V		(a) The Company is committed to a more efficient utilization of resources and promotes low-carbon offices and inculcates water and power conservation habits among its employees. (b) The Company has always placed great emphasis on eco-friendliness and energy conservation to fulfill its responsibility in the field of environmental protection. Pollution prevention facilities have been installed in accordance with relevant laws, and all production affiliates have passed the ISO14001 certification. Environmental protection is implemented in the fields of environmental management, pollution prevention, and garbage reduction in the hope of making a contribution to global environmental protection efforts. Also, the general affairs units are responsible for designating dedicated personnel in charge of the management of environmental protection operations in the fields of air pollution, wastewater, and solid waste and relevant legal requirements. (c) The Company has already implemented energy conservation and carbon reduction activities. In addition to the reduced use of light tubes in public areas, the turning off of unnecessary lights, as well as the use of AC temperature controllers and highly effective energy conservation equipment, are promoted in office areas.	None
3. Preserving public welfare (a) Has the Company formulated relevant management policies and procedures under corresponding laws and regulations and the International Covenant on Human Rights? (b) Has the Company established mechanisms and channels for employee grievances and are they handled in a proper manner? (c) Does the Company provide a safe and healthy work environment for its employees and does it organize safety and health related training for its employees on a regular basis? (d) Is a mechanism in place for regular communication with employees and are employees notified in a reasonable manner of operational changes that may have a significant impact? (e) Has the Company established an effective career skill development program for its employees? (f) Has the Company formulated relevant policies and grievance procedures for the protection of consumer rights and interests regarding its R&D, procurement, production, operation, and services processes? (g) Does the Company comply with relevant laws and international standards in the marketing and labeling of its products and services? (h) Does the company evaluate past records of suppliers about environmental and social impacts before initiating dealings with them? (i) Do contracts between the Company and its main suppliers stipulate that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate significant environmental and social impacts?	V		(a) The Company safeguards the legal rights and interests of its employees through various management systems and norms including the formulation of HR management regulations and staff work rules in accordance with relevant labor laws. The company also contributes to employee medical insurance, basic old-age insurance, unemployment insurance, occupational injury insurance, and maternity insurance. (b) The Company has established mechanisms and channels for employee grievances and is handles them in a proper manner. (c) The Company is committed to providing a comfortable, safe, and healthy work environment for its employees in accordance with laws and regulations governing public building safety and fire safety. It also organizes educational training and annual health checks for its employees on a regular basis and provides complete life and entertainment facilities including staff dorms and recreation centers. (d) The Company organizes labor-management conferences on a regular basis and enables positive communication between both sides. In addition, employees are notified of operational changes that may have a significant impact on them through different methods such as public notices to give both sides a full understanding of labor and management related information. (e) The Company has established an effective career skill development program for its employees. (f) The Company doesn't sell its products to end consumers. (g) The Company fully complies with relevant laws and regulations in Mainland China and international standards in the marketing and labeling of its products. (h) The Company conducts assessments of different supplier conditions including environmental and social impacts before initiating dealings with them. (i) The contracts between the Company and its main suppliers do currently not include provisions stipulating that agreements may be terminated or rescinded at any time if suppliers violate CSR policies or generate a significant environmental and social impacts with its main suppliers: Relevant provisions will be added or removed in accordance with actual needs.	None
4. Enhancing information disclosure (a) Does the Company disclose relevant and reliable CSR-related information on its corporate website and the Market Observation Post System?	V		(a) The Company has already set up a corporate website and will establish a link to the Market Observation Post System in accordance with relevant Taiwanese laws to disclose relevant and reliable CSR-related information.	None
5. If the Company has established the corporate social responsibility principles based on "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies," please describe any discrepancy between the Principles and their implementation: No major discrepancies exist as far as compliance with the CSR Best Practice Principles of the Company is concerned.				

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

3.4.6

Ethical Corporate Management

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

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Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
2. Fulfill operations integrity policy (1) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity? (3) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the Company regularly hold internal and external educational training on operational integrity?	V		(1) Before the Company establishes commercial relations with third parties, it carries out assessments of the legality, ethical corporate management policies, and past records of unethical behaviour of suppliers, customers, or other trading counterparties to ensure the fairness and transparency of their business operations and guarantee that they will not request, offer, or accept bribes. (2) The Company has designated the audit office as its dedicated unit in charge of amendment, implementation, interpretation, and counselling services with regard to the "Ethical Corporate Management Operating Procedures and Code of Conduct" in addition to the recording and archiving of reported contents as well as supervision of implementation and submission of regular reports to the board of directors. The 2017 business development is as follows and reported to the first board of directors' meeting in 2018: I. Establishes various methods for reporting including internal and external reporting mailboxes. The Company requires employees and suppliers suspected of improper behavior to report and clarify on their own initiative and reward employees who report misconducts. II. When assessing the involved parties of business transactions, the Company fully understands the other party's business integrity and prohibits commissions, rebates or other benefits. (3) The board directors uphold a high standard of self-discipline. When a proposal at a given board of directors meeting concerns the personal interest or the interest of the juristic person represented by any director, that director may state his/her opinions and respond to inquiries, but may not participate in the discussion or vote on that proposal and shall recuse himself or herself from any discussion and voting, where there is a likelihood that the interests of the Company would be prejudiced. In addition, said director may not exercise voting rights as the proxy on behalf of another director. The directors shall exercise discipline among themselves, and may not support each other in an inappropriate manner. (4) If in the course of conducting company business, any personnel of the Company discovers that a conflict of interest exists involving themselves or the juristic person that they represent, or that they or their spouse, parents, children, or a person with whom they have a relationship of interest is likely to obtain improper benefits, the personnel shall report the relevant matters to both his or her immediate supervisor and the responsible unit, and the immediate supervisor shall provide the personnel with proper instructions. (5) The Company has established an accounting education for directors, executives, employees, and appointees to provide them with a full understanding of the commitment, policies, and prevention schemes of the Company in the area of ethical corporate management and ward off unethical behavior.	None
3. Operation of the integrity channel (1) Does the Company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V		(1) The company has set up reporting mailboxes to encourage employees to submit reports on detected misconduct that prejudices the interests of the company. The audit office is in charge of processing such reports. (2) The audit office carries out investigations of reported contents and reports the final results to the Chairman in accordance with confidentiality principles. (3) The company is responsible for the confidentiality of the identity of the whistle-blower to prevent inappropriate dismissal or retaliation at the workplace against the whistle-blower.	None
4. Strengthening information disclosure (1) Does the Company disclose its ethical corporate management policies and the results of its implementation on the Company's website and MOPS?	V		(1) The Company's Ethical Corporate Management Best-Practice Principles and the results of our implementation have been posted on the Company's Chinese / English website (http://www.eurocharm.com.tw) and MOPS.	None

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

3.4.7 Corporate Governance Guideline and Regulations

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

3.4.8 Other Important Information Regarding Corporate Governance

Managers participate in corporate governance related training: In 2017, managers have no relevant training.

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

3.4.9 Implementation of the Internal Control System

Declaration regarding the internal control system

Eurocharm Group Co., Ltd.

Declaration regarding the internal control system

Date: March 23, 2018

Based on the results of a self-inspection, the Company hereby makes the following declaration regarding the internal control system in 2017:

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

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

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

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

V. Based on the results of the mentioned inspections, the Company believes that the design and implementation of the internal control system on December 31, 2017 (including the supervision and management of subsidiaries) was efficient as far as goal achievement in the field of results and efficiency of operations, reliability of financial reports, and legal compliance are concerned and may provide reasonable guarantees regarding the achievement of the aforementioned goals.

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

VII. This declaration was approved unanimously by the board of directors with an attendance of 7 directors (including 1 director delegate to attend) on March 23, 2018. All 7 directors consented to the contents of this declaration as stated herein.

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

Internal Control System Review Report

The declaration of Eurocharm Group Co., Ltd. issued on March 23, 2018 stating the effectiveness of the design and implementation of the internal control system on December 31, 2017 based on an assessment of the financial reporting and asset safety related internal control system has been reviewed by this accountant. The maintenance of an effective internal control system and the assessment of its effectiveness are the responsibility of the management level of the Company.

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

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

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

This accountant hereby affirms based on the judgment criteria for the effectiveness of control system prescribed in the Regulations Governing Establishment of Internal Control Systems by Public Companies that the design and implementation of the financial reporting and asset safety related internal control system of Eurocharm Group Co., Ltd. was effective in all major areas on December 31, 2017. The declaration issued by Eurocharm Group Co., Ltd. on March 23, 2018 stating the effectiveness of the design and implementation of the financial reporting and asset safety related internal control system on December 31, 2017 based on assessments is confirmed in all major areas.

Accounting Firm: Ernst & Young

Accountant Mars Hong
Ching-Piao Cheng

March 23, 2018

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

None

3.4.11 Major Resolutions of Shareholders' Meeting and Board Meetings

Major resolutions of shareholders meetings in 2017 and implementation status (06/15/2017):

Major Resolution	Resolution Result	Implementation
1. Adoption of the 2016 Business Report and Consolidated Financial Statements	Voting Result: Approved Total Number of rights held by attending shareholders : 46,776,853 rights In favour: 46,042,771 rights; 98.43%; Against: 8,057 rights; Abstained / not voted on the number of 726,025 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting
2. Adoption of the Proposal for Distribution of 2016 Profits	Voting Result: Approved Total Number of rights held by attending shareholders : 46,776,853 rights In favour: 46,042,771 rights; 98.43%; Against: 8,057 rights; Abstained / not voted: 726,025 rights, case passed	In accordance with the resolution result from the shareholders' meeting, the cash dividend record date was on 08/25/2017 and the payable date was on 09/15/2017
3. Proposal to amend the Memorandum and Articles of Association of the Company	Voting Result: Approved Total Number of rights held by attending shareholders : 46,776,853 rights In favour: 46,042,771 rights; 98.43%; Against: 8,057 rights; Abstained / not voted: 726,025 rights, case passed	Revision Implemented
4. Proposal to amend the Operational Procedures for Acquisition and Disposal oF Assets	Voting Result: Approved Total Number of rights held by attending shareholders : 46,776,853 rights In favour: 46,042,771 rights; 98.43%; Against: 8,057 rights; Abstained / not voted: 726,025 rights, case passed	Implemented in accordance with the resolution result of the shareholders' meeting

Implementation of the resolution results Resolution of the Shareholders' Regular Meeting 2017 include Adoption of the 2016 Business Report and Consolidated Financial Statements. Adoption of the Proposal for Distribution of 2016 Profits. Amend the Memorandum and Articles of Association of the Company. Amend the Operational Procedures for Acquisition and Disposal of Assets. The Company has completed all the necessary implementations.

Major resolutions of board meetings in 2017 up to the printing date of the annual report:

A total number of 8 board meetings, as follows,

DATE	SESSION	MAJOR RESOLUTIONS
03/16/2017	5th; 3rd Session	1. The Company's 2016 distribution of directors' and employees' remuneration 2. Approval of the 2016 annual business report and consolidated financial statements 3. Distribution of 2016 Profits 4. The Company's 2016 Internal Control System Self-inspection Results Report and Internal Control System Statement Statement 5. Amend the Memorandum and Articles of Association of the Company 6. Amend the Operational Procedures for Acquisition and Disposal of Assets 7. The Company's dealings with the Far East International Commercial Bank 8. Subsidiary company's plan to renew short-term credit contract with bank 9. Endorsement guarantee for the Company's subsidiary 10. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company 11. Shareholders' meeting, proposal and relevant issues. 12. Time and location of the 2017 shareholders' meeting
05/11/2017	6th; 3rd Session	1. Approval of the Ernst & Young Accounting Firm internal accountant transfer 2. Approval of the Company's first quarter of 2017 consolidated financial statements 3. Approval of the Company's "Business trip management policy"
08/10/2017	7th; 3rd Session	1. Approval of the Company's second quarter of 2017 consolidated financial statements 2. Subsidiary company's plan to renew short-term credit contract with bank 3. Endorsement guarantee for the Company's subsidiary 4. The Company's 2016 Director's Remuneration Distribution 5. The Company's 2016 employee compensation distribution
09/11/2017	8th; 3rd Session	1. Subsidiary company Eurocharm Innovation Co., Ltd. (B.V.I.) acquires equity in Northstar Precision (Vietnam) Company Limited
11/07/2017	9th; 3rd Session	1. Approval of the Company's consolidated financial statements for the third quarter of 2017 2. Subsidiary company's plan to renew short-term credit contract with bank 3. Revision of the Company's relevant operating procedures 4. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company
12/22/2017	10th; 3rd Session	1. The Company's 2018 business and annual budget plan 2. Appointment of Ernst & Young Certified Public Accountants to carry out the review on 2017 annual internal control system 3. Appointed Ernst & Young Certified Public Accountants as a Independent Accountant for the Company's 2018 Financial Statements 4. The company's internal audit plan for 2018 5. Revision of the Company's relevant operating procedures 6. Changes in the Company's business address, litigation and non-litigation agent address
03/23/2018	11th; 3rd Session	1. The Company's 2017 remuneration to directors' and employees' compensation 2. The Company's managers' salary adjustment 3. Proposed approval of the Company's 2017 annual business report and consolidated financial statements 4. Distribution of 2017 profits 5. The Company's 2017 Internal Control System Self-inspection Results Report and Internal Control System Statement 6. Amend the Memorandum and Articles of Association of the Company 7. Subsidiary company's plan to renew short-term credit contract with bank 8. Endorsement guarantee for the Company's subsidiary 9. "IFRS16 Lease Import Project" compiled 10. Shareholders' meeting, proposal and relevant issues. 11. Time and location of the 2018 shareholders' meeting
05/07/2018	12th; 3rd Session	1. Approval of the Ernst & Young Accounting Firm internal accountant transfer 2. Approval of the Company's consolidated financial statements for the first quarter of 2018 3. Company and its subsidiary plan to sign a new short-term credit contract with bank 4. Endorsement guarantee for the Company's subsidiary 5. Acquisition of land use rights of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company 6. Acquisition of fixed assets of Vietnam Precision Industrial No. 1 Co., Ltd., a subsidiary of the company

3.4.12

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

None

3.4.13

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

None

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Information Regarding the CPA Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young	Mars Hung	Ching-Piao Cheng	01/01/2017 - 12/31/2017	-

Unit: NT$ thousands

		Audit Fee	Non-Audit Fee	Total
FeeRange	Under NT$ 2,000		800	800
	NT$2,000 ~ NT$4,000			
	NT$4,001 ~ NT$6,000	4,575		4,575

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

Unit: NT$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Ernst and Young	Mars Hung	4,575	-	-	-	800	800	01/01/2017 - 12/31/2017	-Non-audit public fees - Other refers to internal control project review
	Qing-Biao Zheng								

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

None

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

None

3.6

Replacement of CPA

None

3.6.1

About the Former Accountant

Replacement Date	05/11/2017		
Reason for Replacement and Explanation	Internal rotation of the firm		
Explanation for the Accountant's Termination or Appointment Refusal	Situation	Accountant	Delegate
	Appointment Termination	N/A	N/A
	Appointment Refusal	N/A	N/A
Issued unserved opinion within the last two years and other reasons	None		
Disagreement with the Issuer	Yes		Accounting principles or practices
			Financial report disclosure
			Scope or Step Examination
			Others
	No	V	
	Explanation: N/A		
Other disclosures	None		

3.6.2 About Successor Accountant

Accounting Firm	Ernst & Young
Accountant	Mars Hong and Ching-Piao Cheng
Date of appointment	05/11/2017
Pre-commissioning accounting approaches or accounting principles for specific transactions and opinions on the possible issuance of financial report consultation and results	None
Successor accountant's written disagreement to the former accountant	None

3.6.3

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

N/A

3.7

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

None

Evaluation of the CPA's Independence

3.8

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

A//

The auditor's independence declaration

B//

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

C//

Ensure the audit partner rotates every seven years

D//

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

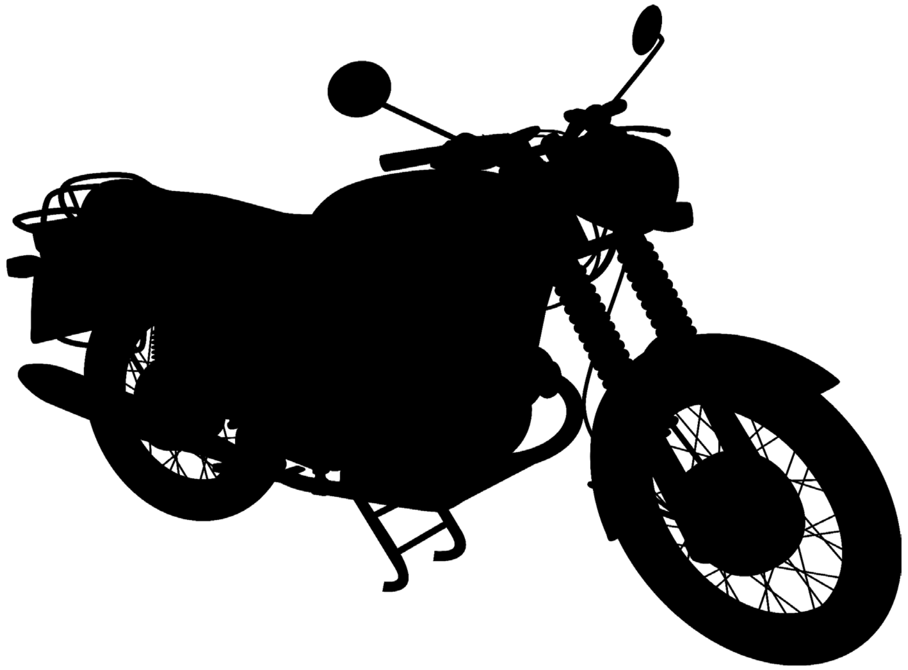
3.9 Operational Procedures for Handling Material Inside Information

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

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

Unit: Share

Title	Name	2017		As of April 16, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	New General Limited	0	0	0	0
	Representative: Steven Yu	0	0	0	0
Director	Seashore Group Limited	0	0	0	0
	Representative: Michael Yu	47,000	0	0	0
Director	Seashore Group Limited	0	0	0	0
	Representative: Antonio Yu	46,000	0	0	0
Director	Steven Chang	0	0	0	0
Independent Director	Wei-Min Lin	0	0	0	0
Independent Director	Bryan Peng	0	0	0	0
Independent Director	Gen-Yu Fong	0	0	0	0
General Manager	Steven Yu	0	0	0	0
Deputy General Manager	James Zhan	32,000	0	0	0
Deputy General Manager	Andy Wu	32,000	0	0	0
Deputy General Manager	Cina-Jin Zhan	0	0	0	0
Deputy General Manager	Cheng-Wen Wang	0	0	0	0
Deputy General Manager	Robert Lin	0	0	0	0



3.10.2

Shares Trading with Related Parties

None

3.10.3

Shares Pledged with Related Parties

None

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

04/16/2018 (Book closure date) Unit: thousand shares

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Seashore Group Limited	24,769	37.63%	-	-	-	-	-	-	-
New General Limited	13,833	21.01%	-	-	-	-	-	-	-
New General Limited Representative:Steven Yu	-	-	-	-	-	-	SeashoreGroupLimited Representative:Michael Yu SeashoreGroupLimited Representative:Antonio Yu	Brother Brother	-
Seashore Group Limited Representative: Michael Yu	117	0.18%	-	-	-	-	SeashoreGroupLimited Representative:StevenYu SeashoreGroupLimited Representative:Antonio Yu	Brother Brother	-
Seashore Group Limited Representative: Antonio Yu	116	0.18%	-	-	-	-	New General Limited Representative:StevenYu New General Limited Representative:Michael Yu	Brother Brother	-
CathayLifeInsurance Company, Ltd.	2,714	4.12%	-	-	-	-	-	-	-
Citibank (Taiwan) Commercial Bank Trustee Special Investment Fund eQ Emerging Market Small Cap Fund Investment Account	693	1.05%	-	-	-	-	-	-	-
Standard Chartered International Commercial Bank Business Unit Trustee Baojie Fund Company Investment Account	550	0.84%	-	-	-	-	-	-	-
Chinatrust Commercial Bank Co., Ltd.	533	0.81%	-	-	-	-	-	-	-
New Labor Retirement Fund	510	0.77%	-	-	-	-	-	-	-
Old Labor Retirement Fund	510	0.77%	-	-	-	-	-	-	-
Yuanta Venture Capital Co., Ltd.	496	0.75%	-	-	-	-	-	-	-
Guangyuan Investment Co., Ltd.	468	0.71%	-	-	-	-	-	-	-

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

12/31/2017 (Unit: Share)

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

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

IV. CAPITAL OVERVIEW

4.1 Capital and Shares

4.1.1 Source of Capital

As of 04/16/2018 (Unit: thousand shares; NT$ thousands)

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

Month / Year	Par Value (NT$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT$ thousands)	Shares	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
02/2015	40	90,000	NTD$900,000	64,370	NTD$643,702	Employee Stock Option Implementation	-	-
04/2015	40	90,000	NTD$900,000	64,488	NTD$644,882	Employee Stock Option Implementation	-	-
05/2015	40	90,000	NTD$900,000	64,503	NTD$645,032	Employee Stock Option Implementation	-	-
09/2015	38	90,000	NTD$900,000	64,583	NTD$645,832	Employee Stock Option Implementation	-	-
10/2015	38	90,000	NTD$900,000	64,932	NTD$649,322	Employee Stock Option Implementation	-	-
08/2016	36	90,000	NTD$900,000	64,956	NTD$649,562	Employee Stock Option Implementation	-	-
09/2016	36	90,000	NTD$900,000	65,196	NTD$651,962	Employee Stock Option Implementation	-	-
10/2016	36	90,000	NTD$900,000	65,399	NTD$653,992	Employee Stock Option Implementation	-	-
11/2016	36	90,000	NTD$900,000	65,456	NTD$654,562	Employee Stock Option Implementation	-	-
12/2016	36	90,000	NTD$900,000	65,549	NTD$655,492	Employee Stock Option Implementation	-	-
01/2017	36	90,000	NTD$900,000	65,688	NTD$656,882	Employee Stock Option Implementation	-	-
02/2017	36	90,000	NTD$900,000	65,745	NTD$657,452	Employee Stock Option Implementation	-	-
03/2017	36	90,000	NTD$900,000	65,753	NTD$657,532	Employee Stock Option Implementation	-	-
09/2017	34	90,000	NTD$900,000	65,799	NTD$657,992	Employee Stock Option Implementation	-	-
12/2017	34	90,000	NTD$900,000	65,809	NTD$658,092	Employee Stock Option Implementation	-	-

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

As of 04/16/2018 (Unit: Share)

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

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

4.1.2 Status of Shareholders

As of 04/16/2018 (Unit: Person: Share)

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic NaturalPersons	Foreign Institutions & NaturalPersons	Total
Number of Shareholders	2	4	33	34	2,063	2,136
Shareholding (shares)	1,020,000	3,697,197	3,791,091	41,765,276	15,552,589	65,826,153
Percentage	1.55	5.62	5.75	63.45	23.63	100.00

4.1.3 Shareholding Distribution Status

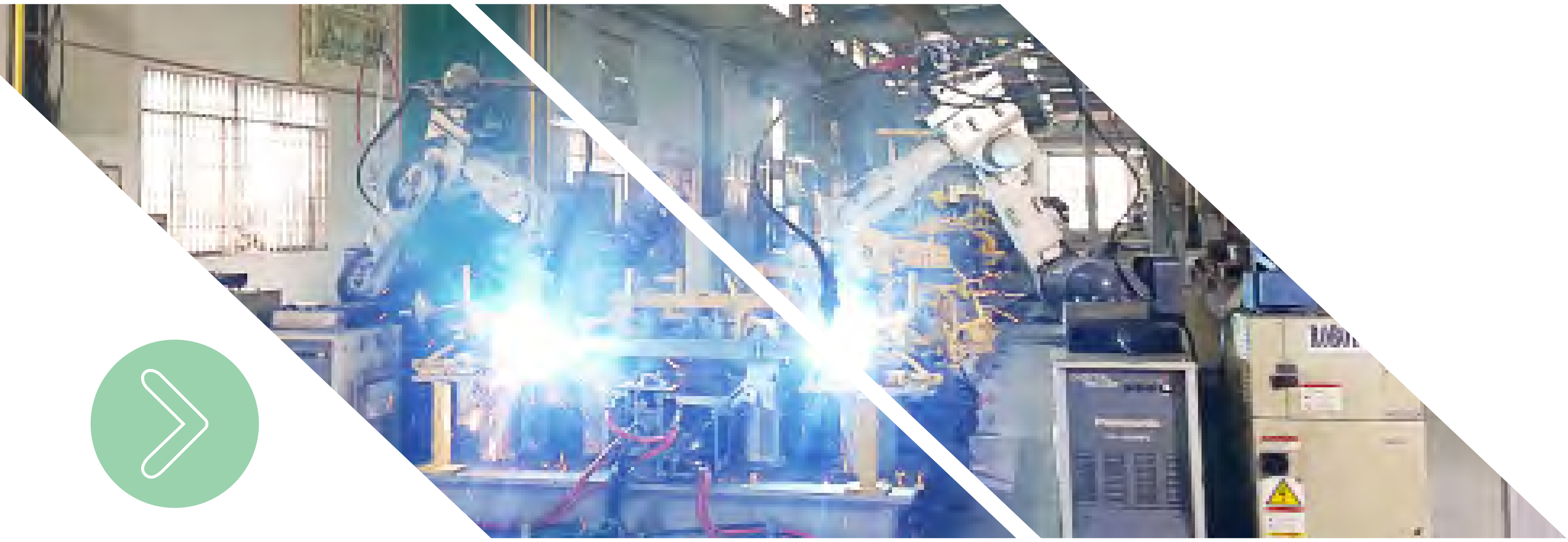
As of 04/16/2018 (Unit: Person: Share)

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	137	7,935	0.01
1,000 ~ 5,000	1,506	2,882,750	4.38
5,001 ~ 10,000	177	1,381,283	2.10
10,001 ~ 15,000	80	1,022,215	1.55
15,001 ~ 20,000	49	892,224	1.36
20,001 ~ 30,000	47	1,197,606	1.82
30,001 ~ 40,000	21	736,152	1.12
40,001 ~ 50,000	22	1,006,395	1.53
50,001 ~ 100,000	39	2,868,150	4.36
100,001 ~ 200,000	34	4,481,970	6.81
200,001 ~ 400,000	12	3,383,000	5.14
400,001 ~ 600,000	8	3,957,000	6.01
600,001 ~ 800,000	1	693,000	1.05
800,001 ~ 1,000,000	0	0	0.00
1,000,001 or over	3	41,316,473	62.76
Total	2,136	65,826,153	100.00

4.1.4 List of Major Shareholders

As of 04/16/2018 (Unit: Share)

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



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

(Unit: NT$: thousand shares)

Items	2016	2017	As of March 31, 2018
Market Price per Share			
Highest Market Price	124.5	100.5	94.1
Lowest Market Price	72.3	75.7	77.6
Average Market Price	98.38	88.17	87.19
Net Worth per Share			
Before Distribution	39.39	39.04	39.79
After Distribution	35.38	See Note	-
Earnings per Share			
Weighted Average Shares (thousand shares)	65,069 thousand shares	65,758 thousand shares	65,813 thousand shares
Earnings Per Share	7.25	6.99	1.70
Dividends per Share			
Cash Dividends	4	4 (See Note)	-
Stock Dividends			
Dividends from Retained Earnings	-	-	-
Dividends from Capital Surplus	-	-	-
Accumulated Undistributed Dividends	-	-	-
Return on Investment			
Price / Earnings Ratio	11.10	12.21	12.22
Price / Dividend Ratio	-	See Note	-
Cash Dividend Yield	6.28	4.70	4.69

Note: The 2017 annual surplus distribution was approved by the board of directors but not yet approved by the shareholders' meeting

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy

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

Unless otherwise required by the Statute and the Applicable Public Company Rules, the Company may distribute profits in agreement with a proposal for distribution of profits prepared by the Directors and approved by the Members by an Ordinary Resolution at any general meeting. The Directors shall prepare such proposal as follows:

I. If there is any profit (after tax) of the current fiscal year after final account, it shall first be used to offset its losses in previous years which have not been previously offset (include the adjusted amount of undistributed earnings);

II. Set aside a special capital reserve or reversal, if one is required, in accordance with the Applicable Public Company Rules or as requested by the authorities in charge;

III. If there is any Profit, it shall be set aside no more than 2% of the balance as a bonus to Directors and no less than 2% of the balance as compensation to employees of the Company, which may be distributed under an incentive program approved pursuant to Article 11.1 above. The board of directors shall adopt the exact percentages to be distributed as bonuses to Directors and the compensation to employees, and such resolution shall be reported at the shareholders meeting. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and the compensation in his capacity as an employee; and

IV. Any balance left over may be distributed as Dividends in accordance with the Statute and the Applicable Public Company Rules and after taking into consideration profits of the current year and capital structure of the Company, unless otherwise specifically resolved by the board of the Directors and the general meetings, the amount of profits distributed to Members shall not be lower than 20% of profits (after tax) of the then current year and the amount of cash dividends distributed thereupon shall not be less than 50% of the profits proposed to be distributed of the then current year; in the event that the Dividends per share distributed in the current year is less than NT$1, the Company may determine the Dividends to be distributed partially or entirely by stock dividends or cash dividends.

B. Proposed Distribution of Dividend

The proposal for the distribution of 2017 profits was passed at the meeting of the Board of Directors. It is approved that a total amount of NT$263,304,612 cash dividend will be distributed to the shareholders; hence, a cash dividend of NT$ 4 per share.

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

The board of directors approved the 2017 earnings distribution proposal on March 23, 2018, with a planned distribution of cash dividends amounting to NT$ 4 per share. The proposal will be submitted to the shareholders' meeting on June 14, 2018, for ratification. Since only cash dividends are distributed, the overall business performance of the Company will not be affected.

4.1.8 Employee Bonus and Directors' and Supervisors' Remuneration

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

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

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

The proportional foundation for the distribution of payable employee and director compensations in 2017 shall be determined based on the profits (employee bond of not less than 2%; directors and supervisors' remuneration of not more than 2%). In the case of significant changes of distribution amounts determined by the board of directors after year end, the initially allocated annual expenses shall be adjusted. Further changes on the date of the shareholders' meeting resolution shall be handled as accounting estimate changes. Annual adjustments shall be entered into accounts by resolution of the shareholders' meeting. If the shareholders' meeting resolves to pay out employee bonuses as stock, the number of shares allocated as stock dividends shall be determined based on payable bonus amounts divided by fair stock value. The term fair stock value shall refer to the closing price on the day before the shareholders' meeting resolution date (upon consideration of ex-right/ex-dividend impacts).

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

A. On March 23, 2018, the Company charter prescribes the following for the employee bonus and compensation for directors and supervisors:

- Employee cash bonus of NT$ 18,865,495
- Employee stock bonus of NT$ 0
- Directors' Remuneration of NT$10,300,000

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

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

In the 2016 financial statement, it was stated that the employee bonus was NT$ 18,100 thousand dollars and the directors' remuneration was NT$ 10,300 thousand dollars. In 2017, the employee bonus distributed was NT$ 18,100 thousand dollars, and the directors' remuneration allocated was NT$ 10,300 thousand dollars. No discrepancy was found.

4.1.9 Buyback of Treasury Stock: None

4.2 Bonds

4.2.1 Current Status of Company Bonds:

I. Corporate Bonds: None

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

4.3 Preferred Shares: None

4.4 Global Depository Receipts: None

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

12/31/2017

Type of Stock Option	1st Tranche
Approval date	08/06/2014
Issue date	09/15/2012
Units issued (shares)	2,000,000
Shares of stock options to be issued as a percentage of outstanding shares (%)	3.13%
Duration	09/14/2014 - 09/14/2018
Conversion measures	Issue of new shares
Conditional conversion periods and percentages	Expected option life: 6 years 2nd Year: up to 30% 3rd Year: up to 60% 4th year: up to 100%
Converted shares (shares)	1,825,000 shares
Exercised amount (NT$ dollars)	NT$ 68,522,000 dollars
Number of shares yet to be converted (shares)	17,000 shares
Adjusted exercise price for those who have yet to exercise their rights (NT$ dollars)	34
Unexercised shares as a percentage of total issued shares (%)	0.03%
Impact on possible dilution of shareholdings	N/A

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

12/31/2017 (Unit: NT$ thousands: thousand shares)

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

4.6 Restricted Employee Stock Options: None

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

4.8 Financing Plans and Implementation

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

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main areas of business operations

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

B. Revenue Distribution

Unit: NT$ thousands

Major Divisions	2015		2016		2017	
	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales	Total Sales	(%) of Total Sales
Motor Parts	3,119,102	77.82%	3,251,747	78.08%	2,993,826	73.70%
Medical Equipment	448,548	11.19%	440,640	10.58%	475,983	11.72%
Recreational Vehicle Parts	351,843	8.78%	370,188	8.89%	540,679	13.31%
Others	88,694	2.21%	102,204	2.45%	51,678	1.27%
Total	4,008,187	100.00%	4,164,779	100.00%	4,062,166	100.00%

C. Main Products

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

D. New Product (Service) Development

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

5.2 Market and Sales Overview

5.2.1 Current Status and Future Development

A. Motorcycle Market

I. Development and Structure of Motorcycles

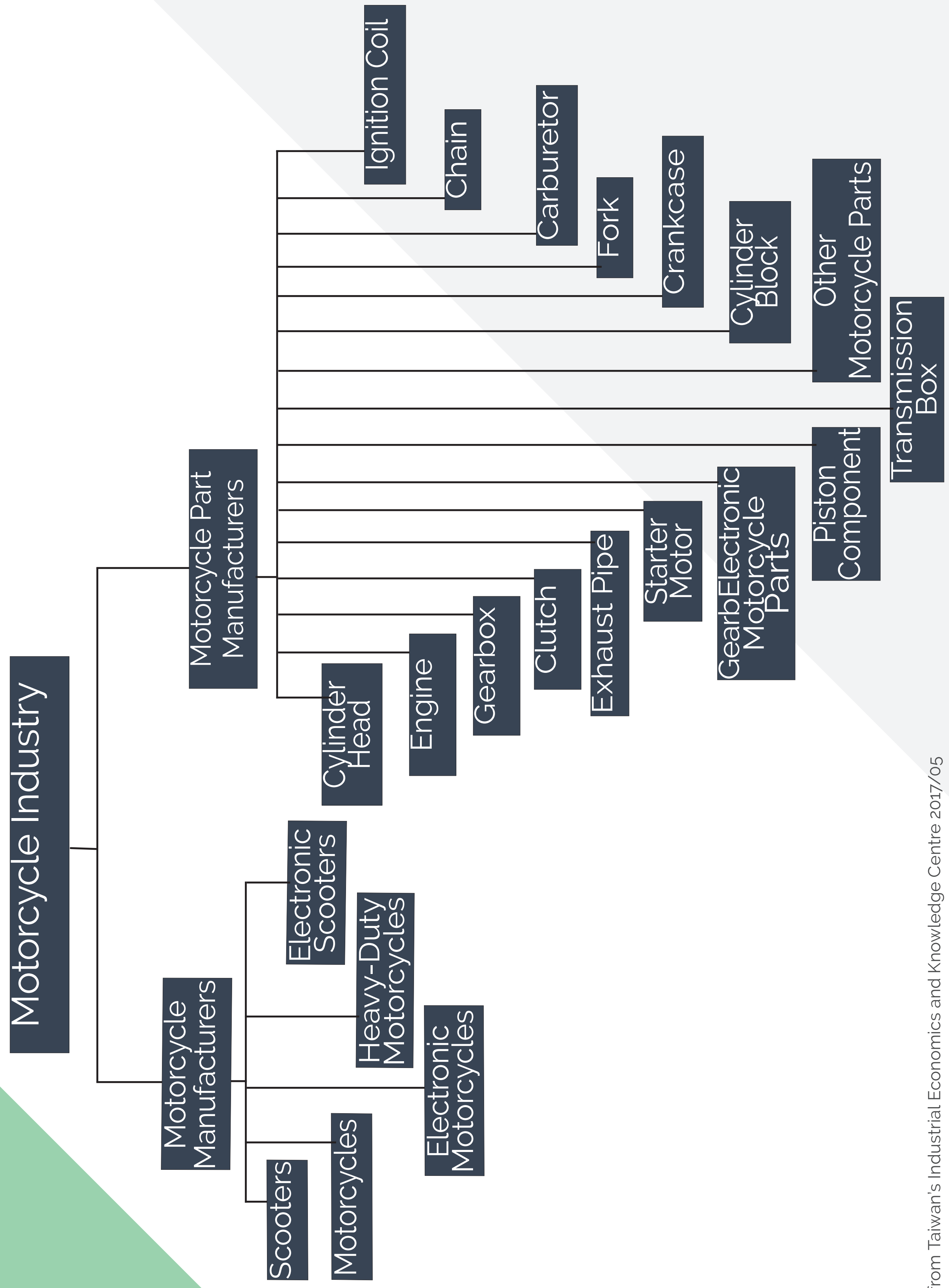
Throughout the history of vehicle development, it started from the first bicycle to the first motorcycle then came the first automobile. When the first motorcycle came out in 1769, it was powered by a steam engine. It was not until 1860 that a gasoline engine was considered practical. During the fast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

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

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

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

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



Sourced from Taiwan's Industrial Economics and Knowledge Centre 2017/05

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

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

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

II. Global Industry of Motorcycles

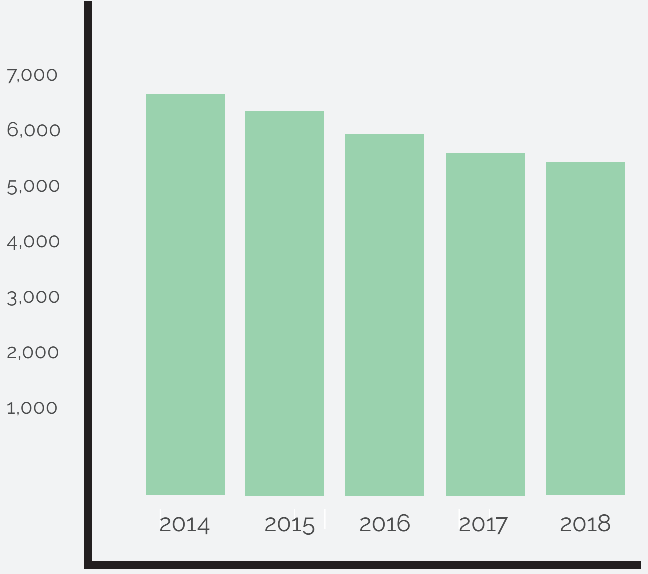
In recent years, Asia has been the world's largest motorcycle consumer. The sales in Asia took up to 80.7% of the global motorcycle sales in 2016. In addition to India, China and Indonesia claiming the first, second and the third place in motorcycle consumption, South-east Asian countries such as Vietnam and Thailand follow close behind. Due to their geographic advantage, Japanese manufacturers have gradually dominated the motorcycle market. These Japanese manufacturers include Honda, Yamaha, Kawasaki, and Suzuki. In Taiwan, San Yang Motor and Kymco are the two major original brand manufacturers (OBM). The rest of the motorcycle manufacturers have entered either original equipment manufacturing (OEM) and partnered with the Japanese manufacturers mentioned above. For those that have not yet joined the supply chain, there is still a possibility of collaboration.

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

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

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

Sourced from Navigant Research (2016) and Taiwan's Industrial Economics and Knowledge Centre 2017/05



WORLDWIDE FUEL MOTORCYCLE SALES

III. Motorcycle Trends in Vietnam

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

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

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

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

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

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

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

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

B. Medical Equipment Market

Eurocharm manufactures and exports various medical equipment including patient lifts, shower chairs, commode chairs and medical beds to Europe, North American and Japan. According to 2016 BMI's statistics, they predicted the size of medical equipment market worldwide in 2016 would reach US$336 billion based on that it was US$389 billion in 2019.

North America was the largest market for medical equipment consumption in 2016, accounting for 48.7% of the market worldwide. Then, it was Western Europe making up to 23.8%. Asia and the Pacific, ranked the 3rd on the chart, accounting for 20.8% of the global market. Accounted for a 4.0% and a 2.7% are Central & Eastern Europe and the Middle East & Africa. Affected by the currency exchange rate, the Asia-Pacific market has grown from 20.2% to 20.8%. Consequently, the North American market is accounted for about 0.1% less in 2015.

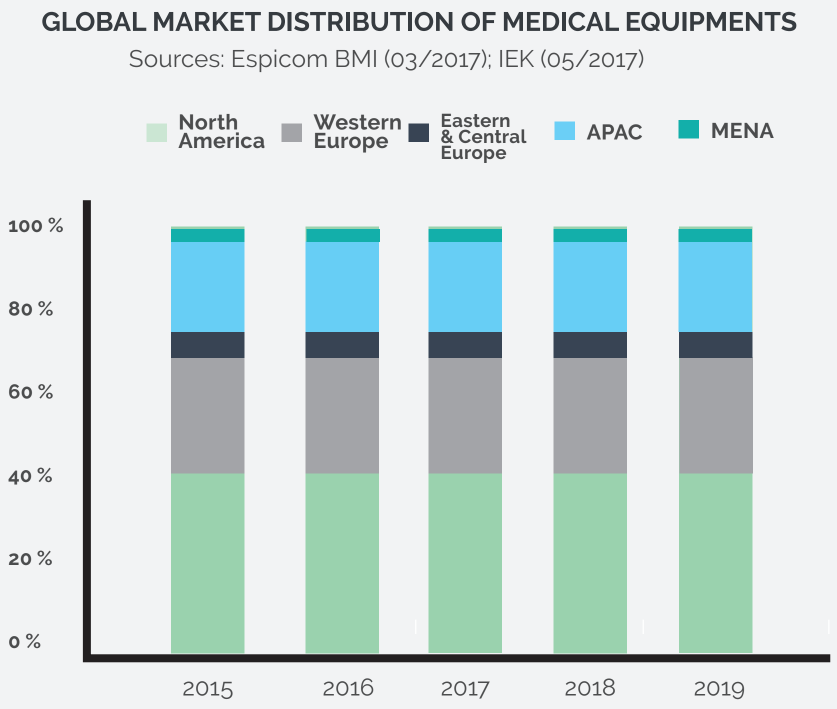
As the U.S. medical system matures and the number of American-led medical equipment manufacturer s increases, the market is foreseen to stabilize. Also, it is expected that under the influence of the steady development of the US dollar, the Americas will still be the first to dominate the major global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

Western Europe remains the second largest market in the world. However, due to their relatively slow economic growth in 2016, the exchange rate of the Euro against the U.S. dollar continues to depreciate significantly. Although Western Europe accounts for six places of the top ten largest aging populations, the economic condition prevents a full scope of medical coverage. It is expected that under the ongoing discussion of the aging issue in Western Europe, the demand for medical care products will continue to develop.

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

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

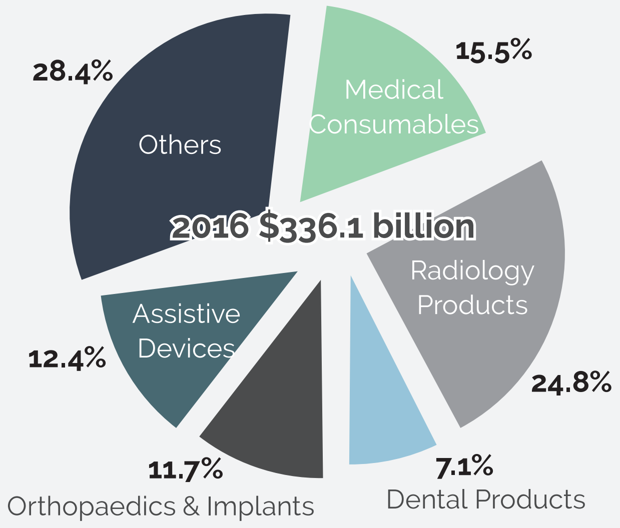
The medical equipment market can be divided into six broad categories based on the types of products. These categories are medical consumables, radiology products, dental supplies, orthopedics and implants, assistive devices and others. In 2016, the proportion of other types of medical products was still the highest, about 28.4%, a slight increase of 0.2% compared with 2015. Followed by diagnostic imaging products, accounting for approximately 24.8%, which was the largest single category, compared to 2015's 24.6%, a slight increase of 0.2%. Medical consumables accounted for about 15.5% which is a slight decline of 0.2% relative to the 15.7% in 2015. Assistive devices accounted for 12.4% and faced a small drop compared to the previous year's 12.5%. Orthopedics and implant products accounted for 11.7%, compared with 11.9% in 2015, a slight decline of 0.2%; and dental products accounted for approximately 7.1%, similar to the development in 2015.

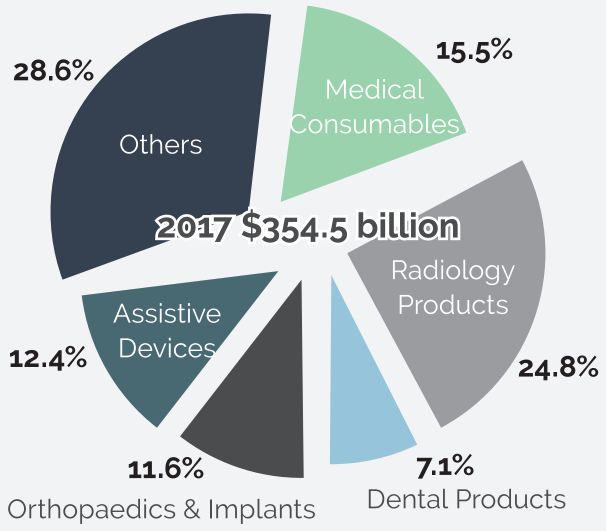

GLOBAL MARKET DISTRIBUTION OF MEDICAL EQUIPMENTS

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

In 2016, the growth rate of diagnostic imaging products was relatively high, which also affected the global distribution of products. Taking the United States as an example, the annual growth of diagnostic imaging products in 2016 was 3.94% due to the elimination of old products and the launch of new products. As a result, the market value grew by US$163 million, and the number of MRI and PET continues to increase. Japan's diagnostic imaging products also increased from US$6.84 billion in 2015 to US$7.87 billion in 2016. This relatively high growth rate was mainly caused by the country's weak economic condition and exchange rate in 2015. Judging from the global industrial and economic development trend, the United States is still a critical area that affects the development of the overall industry. The layout of manufacturers and the growth of the market play a significant role and remain one of the predicting focuses.

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





5.2.1 Current Status and Future Development

Motorcycle Industry

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

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

SourcedfromTaiwan'sIndustrialEconomicsandKnowledgeCentre2011/04

5.2.3
Product Trends

Motorcycle Industry

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

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

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

Upstream

Electronic, plastic and hardware parts

Middle Stream

R&D and Manufacturing of Medical Equipments

Down Stream

Sales agents and wholesalers of medicalequipments

Sourced from Taipei Exchange (TPEx)

Medical Equipment Industry

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

Medical Equipment Industry

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

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

With regards to Japan's aging population, according to the numbers from the Statistics Bureau of the Ministry of Internal Affairs and Communications of Japan, as of March 1, 2016, the proportion of people over 65 years of age has reached 27%. It is estimated that by 2055 the number of people over the age of 65 will increase to 41% of the total population, which has become a substantial economic burden.

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

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

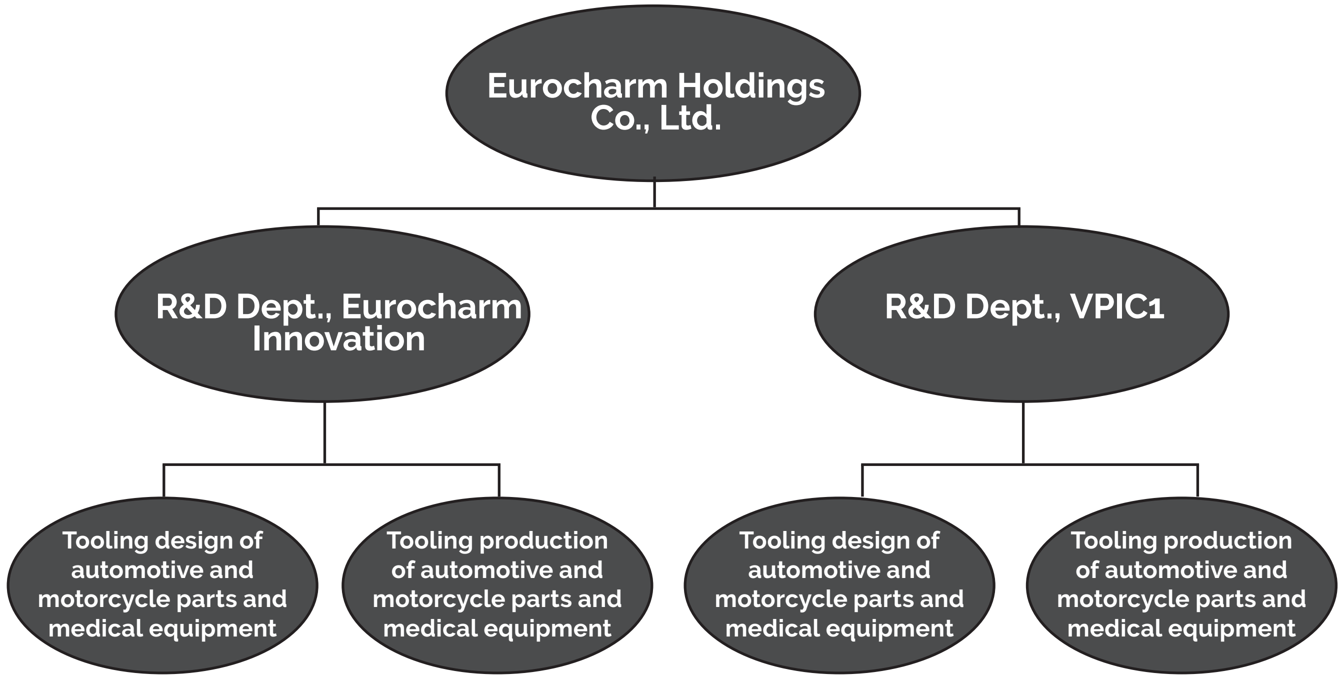
5.2.4 Competition

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

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

5.2.5 Research and Development

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



R&D Team

Unit: Person

Year / Education	2014	2015	2016	2017
PhD Degree	-	-	-	-
Master Degree	-	1	1	1
Undergraduate Degree	34	45	47	57
College Degree	27	32	33	34
Total	61	78	81	92

R&D Expenses in Previous 5 Years

Unit: NT$ thousands: %

Category/ Year	2013	2014	2015	2016	2017
R&D	30,839	34,065	38,369	42,991	51,192
Net Revenue	3,473,538	3,798,622	4,008,187	4,164,779	4,062,166
%	0.89	0.90	0.96	1.03	1.26

R&D Achievements in Previous 5 Years

Year	Achievement	Description
2013	Improved Product Design	Purchased SolidWork, a computer graphic system, to simulate and test the durability of medical equipments
2014	Reduced Production Cost	Purchased a 3D laser cutting machine to increase production flexibility and reduce tooling cost
2015	Better Product Quality	Purchased a laser cutting system to increase manufacturing precision for luxurious vehicle parts
2016	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling
2017	Improved Production Efficiency	Imported automated stamping production and increased the number of robotic arms to replace manual handling

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

Business Development Plan

Short Term:

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

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

C. Improve productivity and provide better product consistency

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

Long Term:

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

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

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

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

5.2.6 Market and Sales Overview

I. Market Analysis

Main Products and Sales Regions

Unit:NT$thousands

Sales Regions	2015		2016		2017	
	Amount	%	Amount	%	Amount	%
Vietnam	2,973,947	74.20	3,084,786	74.07	2,764,397	68.05
Others	1,034,240	25.80	1,079,993	25.93	1,297,769	31.95
Total	4,008,187	100.00	4,164,779	100.00	4,062,166	100.00

II. Market Share

- Motorcycle Industry

Based on the 2017 total approximate sales of NT$ 134 billion from Vietnam's five largest motorcycle manufacturers and Eurocharm Group's 2017 motorcycle parts sales of NT$ 2.99 billion, the Group's motorcycle market share in Vietnam is approximately 2.22% (average sell price at NT$40,000).

- Medical Equipment Industry

According to Taiwan's Industrial Economics and Knowledge Centre, the global medical equipment market in 2016 is worth US$ 336 billion, and the assistive equipment takes up to 12.4% of the market share. Since Eurocharm Group's 2016 medical equipment sales are US$ 475 million, the Group's global market share is approximately 0.038%.

III. Supply, Demand and Future Growth

• Motorcycle Industry

Compared to the numbers in 2017, the motorcycle market in Vietnam has recovered with the total sales of 33.6 million motorcycles in 2016 from the largest five manufacturers. Besides the demand for fuel motorcycles, there has been a steady increase in electric motorcycle sales. Along with the growth of demand in recreational vehicles in North America and Europe, Eurocharm's sales performance will continue to thrive.

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

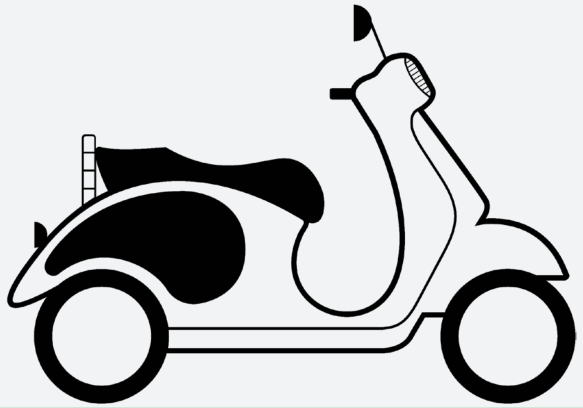
• Medical Equipment Industry

The current ten largest medical equipment markets are the United States, Japan, Germany, China, France, England, Italy, Canada, Russia, and Brazil. Among the top ten countries, undoubtedly; the United States holds the world's biggest market. As the government continues to promote public healthcare along with the increasing number of people purchasing an insurance plan, the medical equipment market appears to be an uprising slope. It is estimated that in 2019, the US market will reach approximately US$170.7 billion. However, since the health parity act has been in effect, various medical equipment are at risk facing price cutting. Cost-effective products have become preferable to the consumers. As a result, there will be a shift in market shares and brand images. For Eurocharm, this is a great opportunity to expand our customer base as the medical equipment manufacturers look for new suppliers for cost cutting.

Closely following the size of the US medical equipment market is Japan's, the demand for orthopedic aids and assistive equipment is climbing at a steady growth rate due to the aging population. Meanwhile, in Western Europe, Germany has the largest market demand when it comes to medical equipment. The total sale of medical supplies was US$ 24.54 billion in 2016. These are Eurocharm's current target markets because of their growing demand for medical equipment.

IV. Competitive Niche

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



V. Foreseen Favourable and Unfavourable Factors and Countermeasures

Favourable Factors

A. Motorcycle Industry

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

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

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

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

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

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

3. Eurocharm possesses an extraordinary management team.

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

B. Medical Equipment Industry

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

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

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

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

Unfavourable Factors and Countermeasures

A. Motorcycle Industry

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

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

Countermeasures:

Besides exporting automotive and motorcycle parts as a source of income, Eurocharm also coordinated with Honda, Yamaha and Piaggio to explore completely built up (CBU) automobile export opportunities. In 2016, the number of CBU automobiles, from the three manufacturers, imported in Taiwan reached 300 thousand. Relatively, since the exported products are CBU automobiles instead of parts, the standard for quality control is also much higher. As Eurocharm continues to deliver on quality and reliability, customers, likewise, began to invest trust in the Company.

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

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

Countermeasures:

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

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

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

Countermeasures:

In 2016, Eurocharm began domestic procurement along with importing customer certified raw materials. The ratio of local raw materials has gradually increased from 50% to 80%. Due to this shift, the exchange rate has only minimal effect on Company's operation cost. In addition, with the unified purchase system every quarter, the Company is able to easily manage materials and reduce the risk of running low or waste.

B. Medical Equipment Industry

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

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

Countermeasures:

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

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

5.2.7 Production Process and Major Uses of Primary Products

- Major Uses of Primary Products

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

- Production Process of Primary Products

Automotive and Motorcycle Part

Bending
Punching
Chamfering
Forging
Polishing
Plating or Painting
Shipping

Aluminum Die Casting

Ingot
Heating
Casting
Forming
Polishing
CNC Machining
Painting
Shipping

Medical Equipment

Bending
Purchasing
Chamfering
Forging
Polishing
Painting
Assembly
Shipping

5.2.8 Condition of Raw Material Suppliers

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

5.2.9 Major Suppliers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2016				2017				2018 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Honda Trading	733,755	29.68	None	Honda Trading	432,717	17.50	None	Honda Trading	83,032	13.16	None
	Others	1,738,580	70.32		Others	2,040,173	82.50		Others	547,889	86.84	
	Net Purchases	2,472,335	100.00		Net Purchases	2,472,890	100.00		Net Purchases	630,921	100.00	

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

5.2.10 Major Customers in the Last Two Calendar Years

Unit: NT$ thousands

Item	2016				2017				2018 (As of March 31)			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	A	2,082,372	50.00	None	A	1,964,550	48.36	None	A	437,428	43.25	None
2	B	392,882	9.43	None	C	429,195	10.57	None	C	124,503	12.31	None
3	C	302,108	7.25	None	B	304,750	7.50	None	D	61,633	6.09	None
	Others	1,387,417	33.32		Others	1,363,671	33.57		Others	387,780	38.35	
	Net Sales	4,164,779	100.00		Net Sales	4,062,166	100.00		Net Sales	1,011,344	100.00	

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

5.2.11 Production in the Last Two Years

Unit: NT$ thousand piece

	2016			2017		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Motorcycle Parts	119,843	111,603	3,182,353	105,007	99,262	2,997,386
Medical Equipment	477	456	375,451	513	495	386,215
Others	1,851	1,747	90,861	899	843	60,158
Total	122,171	113,806	3,648,665	106,419	100,600	3,443,759

5.2.12 Shipments and Sales in the Last Two Years

Unit: NT$ thousand piece

	2016				2017			
	Local (Vietnam)		Export		Local (Vietnam)		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
MotorcycleParts	106,537	2,982,582	2,017	269,165	91,311	2,712,973	4,484	280,852
Medical Equipment	-	-	457	440,639	-	-	519	475,983
Others	1,220	83,083	1,516	389,309	540	51,591	2,551	540,767
Total	107,757	3,065,665	3,990	1,099,113	91,851	2,764,564	7,554	1,297,602

5.3 Human Resources

Unit: person; year; age

Year		2016	2017	2018 (As of March 31)
Number of Employees	Direct Labour	2,691	2,672	2,698
	Indirect Labour	841	846	843
	Total	3,532	3,518	3,541
Average Age		29.69	30.28	31.21
Average Years of Service		6.08	6.47	6.52
Education	Ph.D.	-	-	-
	Masters	4	6	6
	Bachelor's Degree	272	283	290
	CollegeorBelowHighSchool	3,256	3,229	3,245

5.4 Environmental Protection Expenditure

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

Pollution Control Facility and Pollutant Discharge Permit

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

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

Pollution Control Expenses

When VPIC1 first established its operating facilities in Khai Quang Industrial Zone, the Company had agreed to pay wastewater treatment fee. In 2017, the Company paid a total of NT$2,224 thousand.

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

12/31/2017; Unit: VND$ millions

	Facility	Unit Number	Acquired Date	Cost	Book Value	Purpose
1	Wastewater Treatment Plant	3	01/2011 05/2013	1,188	375	Wastewater Treatmen
2	ElectroplatingWastewaterTreatmentSystem	1	11/2004	3,249	0	Wastewater Treatmen
3	Wastewater Treatment System	3	12/2002 02/2005 08/2006	3,388	0	Wastewater Treatmen
4	Wastewater Treatment System	2	01/2017	822	671	Wastewater Treatmen

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

None

5.5

Labor Relations

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

1. Employee Welfare Measures

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

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

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

2. Advanced Education and Training

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

3. Finance Related Certifications & Licenses

There had been no occurrence of license acquirement in 2017.

A. Onboarding Training

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

B. Onboarding Technical Training

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

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

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

D. On-the-job Technical Training

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

4. Retirement System and Implementation Status

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

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

5. Labour-Management Agreements

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

6. Code of Conduct and Ethic

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

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

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

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

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

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

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

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

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

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

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

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

7. Personal Safety Measures and Work Environment

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

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

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

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

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

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

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

5.6 Important Contracts

Borrower	Lender	Contract Commencement/ Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	First Bank	08/18/2017-08/18/2018	NT$ 80 million	Pledge: Land and building of Eurocharm Innovation	None
Eurocharm Innovation	Yuata Bank	07/04/2017-07/03/2018	NT$ 30 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	Fubon Bank - Vietnam	06/06/2016-06/06/2017	US$ 2.5 million	Guarantor: Steven Yu Pledge: US$ 2.8 millions	None
APEX	E.SUN CommercialBank	08/23/2016-08/23/2017	US$ 1 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	VIB	11/15/2017-11/15/2018	VN$ 500 billion	Supplement investment quota for tooling, parts and medical machineries	None
VPIC1	Bangkok	03/31/2016-03/31/2026	US$ 2 million	Raw materials and other capital needs	None
VPIC1	CTBC	08/23/2017-08/23/2018 (Automatically renewed for another year)	US$ 3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None
VPIC1	SinoPac	03/20/2017-03/20/2018	US$ 3 million	Guarantor: Eurocharm Holdings Co., Ltd.	None

5.6.2 Sales Agreement

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

5.6.3 Purchase Agreement

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

5.6.4 Lease Agreement

Lesse	Lessor	Contract Commencement/ Termination Date	Amount	Agreement	Restrictive Clauses
Eurocharm Innovation	Shen Yuan Metal Co., Ltd.	01/16/2016-01/15/2018	NT$ 168 thousand/ month	Rent the land and building at No.10, Lane 315, XinShu Road, XinZhuang District, New Taipei City, Taiwan 242	None
Exedy Vietnam Co., Ltd.	VPIC1	01/01/2017-12/31/2017 (Automatically renewed for one year)	Section A: VN$682,157/ square meter/year Section B: VN$249,249/ square meter/year	Lease VPIC's facilities and factory to Exedy Vietnam Co., Ltd.	None
Hsieh Yuan Technology Vietnam Co., Ltd.	VPIC1	01/01/2017-12/31/2017 (Automatically renewed for one year)	VN$56,846/square meter/year	Lease VPIC's facilities and factory to Hsieh Yuan Technology VietnamCo., Ltd.	None

5.6.5 Insurance Contract

Insured	Insurance Company	Contract Commencement/ Termination Date	Agreement	Restrictive Clauses
Eurocharm Innovation	MSIG Ming Tai Insurance	12/23/2017 - 12/23/2018	Property Insurance of NT$ 3.5 million	None
VPIC1	Petrolimex Insurance Corp.	07/12/2017 - 07/11/2018	Inventory Insurance of VN$ 222,878,652,706	None
VPIC1	VinhPhucBao Minh Co.	12/01/2017 - 11/30/2018	Fire Insurance of VN$ 65,507,463,966	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	08/01/2017 - 08/01/2018	Personal Accident Insurance of 3,278 employees	None
VPIC1	Fubon Insurance Vietnam Co., Ltd.	11/30/2017 - 11/30/2018	Fire Insurance of VN$ 297,355,525,881	None
VPIC1	Vietin Bank Trang An Insurance Company - Hanoi Branch	11/30/2017 - 11/30/2018	Inventory Insurance of VN$ 100,341,063,321	None
VPIC1	CHUBB Insurance Company Ltd.	04/06/2017 - 04/05/2018	Insurance Type: Product Liability Insurance AHM's Estimated Revenue: VN$33,945 million (patient lifters)	None
VPIC1	PJICOHA THANH insurance corporation	10/01/2017 - 09/30/2019	Product Recall Insurance	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet

Consolidated Condensed Balance Sheet - Based on IFRS

Unit: NT$ thousands

Year / Item		Financial Summary for The Last Five Years					As of March 31, 2018
		2013	2014	2015	2016	2017	
Current assets		1,283,553	2,138,801	2,444,054	2,496,319	2,459,694	2,355,393
Property, Plant and Equipment		747,255	695,259	670,600	651,041	747,936	766,710
Intangible assets		6,414	3,934	6,978	5,437	5,343	9,588
Other assets		83,826	101,528	114,869	135,785	130,572	191,869
Total assets		2,121,048	2,939,522	3,236,501	3,288,582	3,343,545	3,323,560
Current liabilities	Before distribution	576,415	706,378	680,635	660,217	732,933	663,607
	After distribution	405,793	480,617	355,519	397,205	Not Yet Distributed	-
Non-current liabilities		61,269	66,249	58,845	46,327	41,175	40,547
Total liabilities	Before distribution	637,684	772,627	739,480	706,544	774,108	704,154
	After distribution	467,062	546,866	414,364	443,532	Not Yet Distributed	-
Equity attributable to shareholders of the parent		1,483,364	2,166,895	2,497,021	2,582,038	2,569,437	2,619,406
Capital stock		568,742	643,492	649,322	655,492	658,092	658,262
Capital surplus		439,825	794,848	813,038	832,426	836,374	836,782
Retained earnings	Before distribution	536,096	709,190	982,046	1,128,919	1,324,620	1,436,561
	After distribution	365,474	483,429	656,930	865,907	Not Yet Distributed	-
Other equity interest		-	-	-	-	-	-
Other components of equity		(61,299)	19,365	52,615	(34,799)	(249,649)	(312,199)
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	1,483,364	2,166,895	2,497,021	2,582,038	2,569,437	2,619,406
	After distribution	1,312,742	1,941,134	2,171,905	2,319,026	Not Yet Distributed	-

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

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

6.1.2 Condensed Statement of Comprehensive Income/Condensed Statement of Income

ConsolidatedCondensedStatementofComprehensiveIncome-BasedonIFRS

Unit: NT$ thousands (except earnings per share)

Year / Item	Financial Summary for The Last Five Years					Q1 2018
	2013	2014	2015	2016	2017	
Operating revenue	3,473,538	3,798,622	4,008,187	4,164,779	4,062,166	1,011,344
Gross profit	542,530	612,576	792,614	748,384	726,878	190,881
Income from operations	338,233	373,001	528,866	513,020	495,079	130,281
Non-operating income and expenses	82,712	82,773	122,583	128,687	106,814	13,826
Income before tax from continuing operations	420,945	455,774	651,449	641,707	601,893	144,107
Net income (Loss) from continuing operations	318,675	344,099	484,120	471,793	459,718	111,941
Loss of discontinued operations	-	-	-	-	-	-
Net income (Loss)	318,675	344,099	484,120	471,793	459,718	111,941
Other comprehensive income (income after tax)	22,737	80,281	47,747	(87,218)	(215,855)	(62,550)
Total comprehensive income	341,412	424,380	531,867	384,575	243,863	49,391
Net income attributable to shareholders of the parent	318,675	344,099	484,120	471,793	459,718	111,941
Net income attributable to non-controlling interest	-	-	-	-	-	-
Comprehensive income attributable to Shareholders of the parent	341,412	424,380	531,867	384,575	243,863	49,391
Comprehensive income attributable to non-controlling interest	-	-	-	-	-	-
Earnings per share	5.60	5.77	7.50	7.25	6.99	1.70

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

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

6.1.3 Auditors' Opinions from 2013 to 2017

Year	Accounting Firm	CPA	Audit Opinion
2013	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2014	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2015	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2016	Ernst & Young	Mars Hong & Steven Chang	No Reservations
2017	Ernst & Young	Mars Hong & Ching-Piao Cheng	No Reservations

6.2 Financial Analysis

A. Consolidated Financial Analysis – Based on IFRS

Item \ Year		Financial Analysis for the Last Five Years					As of March 31, 2018
		2013	2014	2015	2016	2017	
Financial structure (%)	Debt Ratio	30.06	26.28	22.85	21.48	23.15	21.19
	Ratio of long-term capital to property, plant and equipment	206.71	321.20	381.13	403.72	349.04	346.93
Solvency (%)	Current ratio	222.68	302.78	359.08	378.11	335.60	354.94
	Quick ratio	166.13	241.66	285.94	302.37	262.23	275.74
	Interest earned ratio (times)	122.17	416.47	483.55	779.77	858.4	1,172.60
Operating performance	Accounts receivable turnover (times)	8.10	7.43	6.60	6.95	7.12	6.56
	Average collection period	45	49	55	52	51.26	55.64
	Inventory turnover (times)	9.58	9.88	8.61	8.70	8.10	7.41
	Average days of sales	38	37	42.4	42	45.06	49.30
	Account payable turnover (time)	8.76	9.41	8.92	10.15	9.72	9.53
	Property, plant and equipment turnover (times)	4.55	5.27	5.87	6.30	5.81	5.34
	Total assets turnover (times)	1.65	1.50	1.30	1.28	1.22	1.21
Profitability	Return on total assets (%)	15.29	13.64	15.71	14.48	13.88	13.44
	Return on stockholders' equity (%)	22.82	18.85	20.76	18.58	17.85	17.26
	Pre-tax income to paid-in capital (%)	74.01	70.83	100.33	97.90	91.46	87.57
	Profit ratio (%)	9.17	9.06	12.08	11.33	11.32	11.07
	Earnings per share (NT$)	5.60	5.77	7.50	7.25	6.99	1.70
Cash flow	Cash flow ratio (%)	83.08	48.12	74.79	100.51	81.13	(7.00)
	Cash flow adequacy ratio (%)	170.92	155.43	147.40	151.66	125.99	101.21
	Cash reinvestment ratio (%)	13.55	5.37	7.79	8.89	8.70	(1.21)
Leverage	Operating leverage	1.44	1.44	1.32	1.31	1.29	1.24
	Financial leverage	1.01	1.00	1.00	1.00	1.00	1.00

Item \ Year	Financial Analysis for the Last Five Years					As of March 31, 2018
	2013	2014	2015	2016	2017	
Analysis of financial ratio differences for the last two year. 1) The ratio of long-term capital to property, plant and equipment: The increase in the exchange rate of NT dollar against the U.S. dollar resulted in a significant increase in the Exchange differences arising on translation of foreign operations, resulting in a substantial decrease in the amount of shareholders' equity compared to 2016. 2) Current ratio: The increase in prepayments for equipment in the current period resulted in a substantial decrease in cash. 3) Quick ratio: The increase in prepayments for equipment in the current period resulted in a substantial decrease in cash. 4) Interest earned ratio: A lower interest expense due to the relatively less amount of loan at current period compared to the previous period. 5) Pre-tax income to paid-in capital: The increase in the exchange rate of NT dollar against the U.S. dollar cause the reduction in income before tax. 6) Cash reinvestment ratio: Due to the decrease in the operation revenue compared to the same period last year, resulting in a drop in cash from operating activities and a drop in cash reinvestment ratio. In addition, the cash flow from operating activities was negative in the first quarter, which led to a drop in the cash investment ratio.						

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

Calculation formulas are as follows:

1. Financial Structure

(1) Debt Ratio = Total Liabilities / Total Assets

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

2. Liquidity

(1) Current Ratio = Current Assets / Current Liabilities

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

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

3. Operating Performance

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

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

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

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

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

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

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

4. Profitability

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

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

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

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

5. Cash Flow

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

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

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

6. Leverage

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

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

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

2017 Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Ernst & Young was retained to audit Eurocharm Holdings Corporation Limited's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements and profit allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Eurocharm Holdings Corporation Limited. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

To Eurocharm Holdings Co., Ltd. 2018 Annual General Shareholders' Meeting

Eurocharm Holdings Co., Ltd.

Chairman of the Audit Committee: Wei-Ming Lin

March 23, 2018

6.4 Financial Statements in the Most Recent Year

Please refer to Appendix 1.

6.5 CPA-Audited Financial Statement in the Most Recent Year

None

6.6 Financial Difficulties in the Most Recent Year

None

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

Unit: NT$ thousands: %

Year / Item	2017	2016	Difference	
			Amount	%
Current Assets	2,459,694	2,496,319	(36,625)	(1.47)
Property, plant and equipment	747,936	651,041	96,895	14.88
Intangible Assets	5,343	5,437	(94)	(1.73)
Other Assets	130,572	135,785	(5,213)	(3.84)
Total Assets	3,343,545	3,288,582	54,963	1.67
Current Liabilities	732,933	660,217	72,716	11.01
Non-current Liabilities	41,175	46,327	(5,152)	(11.12)
Total Liabilities	774,108	706,544	67,564	9.56
Capital	658,092	658,192	(100)	(0.02)
Capital surplus	836,374	829,726	6,648	0.80
Retained Earnings	1,324,620	1,128,919	195,701	17.34
Other Adjustments	(249,649)	(34,799)	(214,850)	617.40
Total Stockholders' Equity	2,569,437	2,582,038	(12,601)	(0.49)

Year / Item	2017	2016	Difference	
			Amount	%

Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT$33,435 thousand):

1) Property, plant and equipment: Duo to the prepayment for the fifth phase of the factory in the current period.

2) Other equity: The increase in the exchange rate of NT dollar against the U.S. dollar resulted in a significant decrease accumulated profit or loss.

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

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

7.2 Analysis of Financial Performance

Unit: NT$ thousands: %

Year / Item	2017	2016	Difference	
			Amount	%
Operating Income	4,062,166	4,164,779	(102,613)	(2.46)
Operating Cost	3,335,288	3,416,395	(81,107)	(2.37)
OperatingGrossMargin	726,878	748,384	(21,506)	(2.87)
Operating Expenses	231,799	235,364	(3,565)	(1.51)
Operating Net Income	495,079	513,020	(17,941)	(3.50)
Non-operatingIncome and Expenses	106,814	128,687	(21,873)	(17.00)
Income Before Tax	601,893	641,707	(39,814)	(6.20)
Income After Tax	459,718	471,793	(12,075)	(2.56)

Analysis of changes in financial ratios (increase/decrease by over 10%; total amounts of increases/decreases are equivalent to 1% of the total asset value of the respective year NT$33,435 thousand):

1) Non-operating income and expenses: The increase in the exchange rate of NT dollar against the U.S. dollar resulted in increase in foreign exchange losses.

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

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

- Effect of Change on the Company's future business: The Company establishes sales goals based on the global economy, industry condition, customer's assembling plan and other relevant metrics.
- Future Response Actions: According to the business growth shown in the above tables, the Company will require additional working capital to finance the business going forward. Therefore, the teams will continue to budget the cash flow and study every expenditure.

7.3 Analysis of Cash Flow

7.3.1 Cash Flow Analysis for the Current Year

Unit: NT$ thousands: %

Year / Item	2017	2016	Variance	
			$	%
Operating Activity	594,647	663,602	(68,955)	(10.39)
Investment Activity	(362,109)	(279,479)	(82,630)	29.57
Financing Activity	(249,266)	(316,266)	67,000	(21.18)

Analysis of financial ratio change:

Operating Activity: The decrease is due to the operating revenue decline in the current period.

Investment Activity: The prepayment for the fifth phase of the factory caused the increase in capital expenditures in the current period.

Financing Activity: The decrease is due to the drop in cash dividends compared to 2016.

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

7.3.2 Remedy for Cash Deficit and Liquidity Analysis: None

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT$ thousands:

Estimated Cash and Cash Equivalents, Beginning of Year (1)	Estimated Net CashFlowfrom Operating Activities (2)	EstimatedCash Outflow from Investment Activities (3)	Estimated CashOutflow from Financing Activities (4)	Cash Surplus (Deficit) (1)+(2)(3)+(4)	Leverage of Cash Surplus (Deficit)	
					Investment Plans	Financing Plans
1,324,058	492,981	(273,225)	(278,880)	1,264,934	-	-

Analysis of financial ratio change:

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

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

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

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

7.4 Major Capital Expenditure Items

7.4.1 Major Capital Expenditure Items and Source of Capita: None

7.4.2 Expected Benefits: None

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

A. ReInvestment Plan

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

C. Reinvestment Plan for the Upcoming Year

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

B. Primary Reason for Reinvestment Loss and Gain

12/31/2017; Unit: NT$ thousands

Reinvestment	2017 Reinvestment Loss and Gain	Description
Eurocharm Innovation (B.V.I.)	520,894	Operations in Good Condition
Eurocharm Innovation	4,876	Operations in Good Condition
VPIC1	504,627	Operations in Good Condition
APEX	5,902	Operations in Good Condition
OPTIMAL	(2,286)	Operations in Good Condition
VHS	11,179	Operations in Good Condition
EXEDY	28,662	Operations in Good Condition
VPIC	10,404	Cash dividends measured by financial assets carrued at cist

7.6 Analysis of Risk Management

7.6.1 Risk Management and Structure

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

Risk Management policies:

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

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

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

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

I. Interest rate: The changes in interest rate has no significant effect on the business operation as the Company's 2017 annual interest income and interest expense have minimal influences on the pre-tax net profit.

II. Foreign exchange rate: The changes in foreign exchange rate has no significant effect on the business operation as the Company's 2017 foreign exchange gain is accounted for 0.29% of the consolidated revenue. In addition, the Company monitors the exchange rate movement closely to minimize the risk of an exchange rate.

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

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

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

II. Approved by the board of directors, the Company guaranteed endorsement NT$29,848,000, NT$30,000,000 and NT$179,088,000 respectively to its subsidiaries Apex Precision Industrial Ltd., Eurocharm Innovation Co., Ltd. and Vietnam Precision industrial No.1 Co., Ltd. As at the end of 2017, the amount spent was $16,784,975.

7.6.4 Future Research & Development Projects and Corresponding Budget

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

The Company's R&D expenses account for 1.03% and 1.26% of sales amount for 2016 and 2017 respectively. Future R&D expenditure is mainly for collaboration with customers in developing new products and production process, enhancement of molds and increasing operational productivity. As such, related R&D expenditure will be invested in accordance with actual needs.

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

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

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

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

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

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

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

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

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

None, no such plans.

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

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

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

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

Concerning the issue with excessive customer concentration, percentages of the Company's sales to its largest and second largest clients does not exceed 10%. However, the operating income of the two customers takes up to 58.93% of the consolidated operating income. As the Company's largest and second largest customers hold 70% of the market share in Vietnam and the Company being their main supplier, the situation of excessive customer concentration is expected. As a result, the Company has been actively developing new customers to diversify and lower the impact of excessive customer concentration.

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

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

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

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

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

None.

7.6.14 Other Major Risks

None.

7.7 Other Important Matters

None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

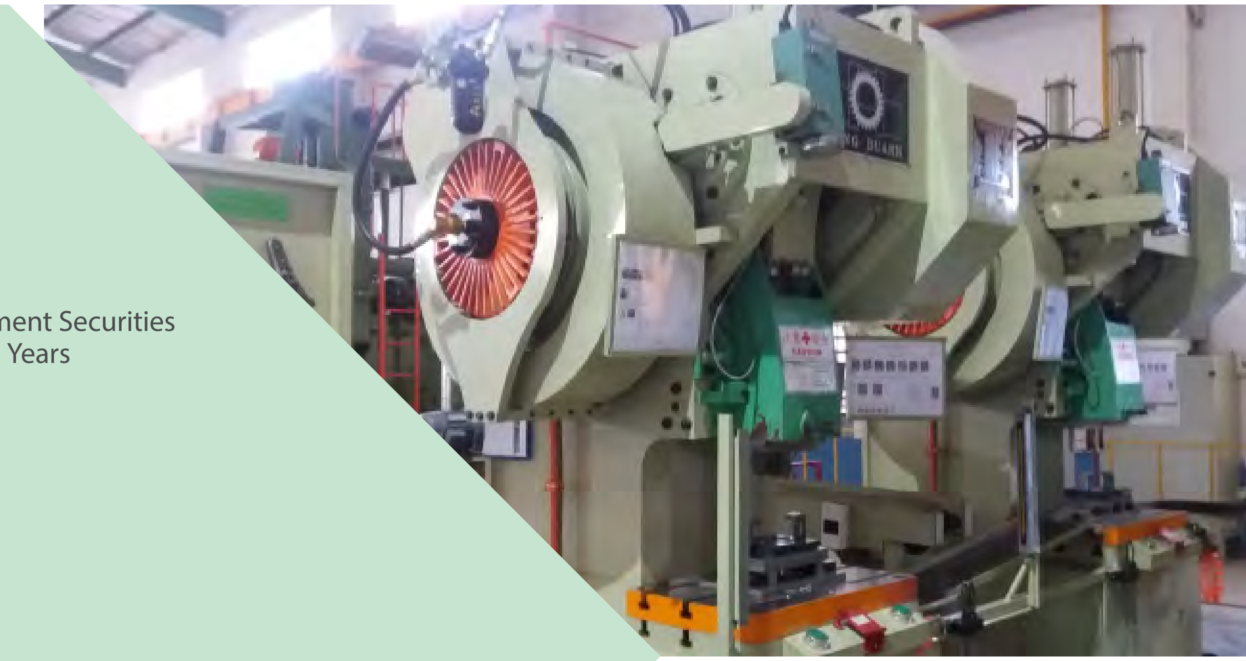
8.1.1 Enterprise Organization Chart

Please refer to page 9 of the annual report.

8.1.2 Subsidiary Basic Information

As of 12/31/2017

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



8.1.3 Private Placement Securities in the Most Recent Years

None

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

Name of Enterprise	Title	Name(s)
Eurocharm Holdings Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu, Steven Chang,BryanPeng,Wei-MinLin,Gen-YuFong
	General Manager	Steven Yu
Eurocharm Innovation Co., Ltd.(B.V.I.)	Director	Steven Yu, Antonio Yu, Michael Yu
Eurocharm Innovation Co., Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisior	Shun-Wei Yeh
	General Manager	Steven Yu
VietnamPrecisionIndustrialNo.1Co.,Ltd.	Director	Steven Yu, Antonio Yu, Michael Yu
	Supervisior	Hung-Yi Kao
	General Manager	Andy Wu
Hsieh Yuan Technology Vietnam Co.,Ltd.	Director	Zheng-Long Wang, Zheng-Zhou Wang, Steven Yu, Michael Yu, Wei-Quan Chen
Exedy Vietnam Co., Ltd.	Director	MitsuhikoTakenaka,ShogoOkamura,Hideki Kanai, Y. Osanai, Steven Yu
Apex Precision Industrial Ltd.	Director	Steven Yu
Optimal Victory Ltd.	Director	Steven Yu

8.1.5 Operating Summary for Respective Subsidiaries

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

Name of Enterprise	Paid in Capital	Total Asset	Total Liability	Net Value	Operating Income	Operating Benefit	Current Income (Loss)	EarningsPer Share(NTD)
Eurocharm Holdings Co., Ltd.	658,092	3,343,545	774,108	2,569,437	4,062,166	495,079	459,718	6.99
Eurocharm Innovation Co., Ltd.(B.V.I.)	615,652	2,664,453	-	2,664,453	-	(115)	520,894	See Note 1
Eurocharm Innovation Co., Ltd.	58,500	317,263	197,130	120,133	433,967	(4,402)	(1,535)	-0.26
Vietnam Precision Industrial No.1 Co., Ltd.	388,970	2,898,440	482,471	2,415,969	3,849,507	522,657	504,627	See Note 1
Hsieh Yuan Technology Vietnam Co.,Ltd.	23,179,239	56,506,022	14,847,752	41,658,270	131,680,552	22,655,330	18,334,261	See Note 1
Exedy Vietnam Co., Ltd.	66,083,544	417,586,226	66,180,190	351,406,036	601,999,722	118,612,812	106,081,486	See Note 1
Apex Precision Industrial Ltd.	62,460	168,628	45,696	122,932	157,110	29,126	24,378	3.90
Optimal Victory Ltd.	28,238	27,064	370	26,694	-	-401	(2,286)	-0.81

Note 1: Earnings per share cannot be calculated because this is not an incorporated company.

Note 2: Numbers for Hsieh Yuan Technology Vietnam Co., Ltd. and Exedy Vietnam Co., Ltd. are in Vietnamese Dollars.

8.1.6 Affiliated Enterprise Consolidated Financial Statements

Pleaserefertoappendix1.

8.1.7 Affiliation Report

None

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

None

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

None

8.4 Other necessary supplementary explanation

None

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

None

8.6 Differences from Republic of China Shareholder equity protection regulations

Please refer to page 152 of the Chinese annual report.

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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, 2017 AND 2016
AND FOR THE YEARS THEN ENDED

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

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

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

Consolidated financial statements

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Building a better
working world

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English Translation of a Report Originally Issued in Chinese

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the accompanying consolidated balance sheets of Eurocharm Holdings Co., Ltd. (the "Company") and its subsidiaries as of December 31, 2017 and 2016, 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, 2017 and 2016, 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 2017 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$4,062,166 thousand for the year ended December 31, 2017 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 contributed to the complexity for the Company and its subsidiaries to decide the appropriate timing of transfer the risk of ownership and the return of goods to the buyers. 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.

Impairment against trade receivables

The Company's consolidated gross trade receivables and allowance for doubtful accounts as of December 31, 2017 amounted to NT$560,004 thousand and NT$11,239 thousand, respectively. The consolidated net trade receivables represented 16% of the Company's total consolidated assets and were significant to the Company's consolidated financial statements. In considering several factors, including the amount of allowance for doubtful account to be influenced because identifying the overdue accounts may be different due to variety of sale terms, how the Company to evaluate an impairment against individual account to the extent that the provided amount can sufficiently reflect the credit risk, and the appropriateness of adopting the policy actually involving the management's significant judgment, we determine that the issue of impairment against trade receivables is one of the key audit matters.

Our audit procedures therefore include, but not limit to, evaluating the appropriateness of the policy for impairment against doubtful accounts (including inspecting the impairment actually incurred in prior years and industrial characteristics, overall assessing the percentages and underlying assumptions for the management to calculate the impairment amount), testing the effectiveness of relevant internal controls related to managing trade receivables (including evaluation on customers' credit risk and identifying specific customers' credit risk), reviewing subsequent collection for evaluating the recoverability of trade receivable, performing confirmation procedures through sampling techniques, testing the correctness of overdue accounts, investigating the reasonableness of any delinquent trade receivables, and assessing the reasonableness of impairment against individual account. 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 2017 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.

Ernst & Young

Ernst & Young
March 23rd, 2018
Taipei, Taiwan,
Republic of China

Notice to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2017	2016
Current assets			
Cash and cash equivalents	4, 6(1)	$671,100	$841,578
Debt instrument investments for which no active market exists	4, 6(2)	652,958	573,872
Notes receivables	4, 6(3)	8	149
Trade receivables	4, 6(4)	548,765	533,152
Trade receivables-related parties	4, 6(4), 7	15,487	20,518
Other receivables		26,061	26,183
Other receivables-related parties	7	113	-
Inventories	4, 6(5), 8	416,840	375,011
Prepayments		120,861	125,006
Other current assets		7,501	850
Total current assets		2,459,694	2,496,319
Non-current assets			
Financial assets carried at cost	4, 6(6)	11,007	11,007
Investment accounted for under the equity method	4, 6(7)	118,451	123,664
Property, plant and equipment	4, 6(8), 8	747,936	651,041
Intangible assets	4, 6(9)	5,343	5,437
Deferred tax assets	4, 6(22)	714	714
Other non-current assets	6(10)	400	400
Total non-current assets		883,851	792,263
Total assets		$3,343,545	$3,288,582

Liabilities and Equity	Notes	2017	2016
Current liabilities			
Short-term borrowings	6(11), 8	$57,021	$48,070
Notes payables		1	5
Trade payables		353,259	311,829
Trade payables-related parties	7	8,394	12,846
Other payables	6(12)	180,292	170,712
Current tax liabilities	4, 6(22)	109,007	97,583
Other current liabilities-others		24,959	19,172
Total current liabilities		732,933	660,217
Non-current liabilities			
Deferred tax liabilities	4, 6(22)	17,099	17,928
Other non-current liabilities	6(13), 6(14)	24,076	28,399
Total non-current liabilities		41,175	46,327
Total liabilities		774,108	706,544
Equity attributable to shareholders of the parent			
Capital	6(15)		
Common stock		658,092	655,492
Capital collected in advance		-	2,700
Capital surplus	6(15)	836,374	829,726
Retained earnings	6(15)		
Special reserve		61,299	61,299
Accumulated profit or loss		1,263,321	1,067,620
Other components of equity		(249,649)	(34,799)
Total equity		2,569,437	2,582,038
Total liabilities and equity		$3,343,545	$3,288,582

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, 2017 and 2016

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

Description	Notes	2017	2016
Operating revenues	4, 6(17), 7	$4,062,166	$4,164,779
Operating costs	7	(3,335,304)	(3,416,393)
Gross profit		726,862	748,386
Realized (Unrealized) sales profit	4	16	(2)
Gross profit, net		726,878	748,384
Operating expenses			
Sales and marketing		(47,408)	(46,039)
General and administrative		(133,199)	(146,334)
Research and development		(51,192)	(42,991)
Operating expenses total		(231,799)	(235,364)
Operating income		495,079	513,020
Non-operating incomes and expenses			
Other incomes	6(19), 7	83,837	91,748
Other gains and losses	6(19), 7	(16,162)	(5,129)
Finance costs	6(19)	(702)	(824)
Share of profit or loss of associates and joint ventures accounted for under the equity method	4, 6(7)	39,841	42,892
Non-operating incomes and expenses total		106,814	128,687
Income before income tax		601,893	641,707
Income tax expense	4, 6(22)	(142,175)	(169,914)
Net income		459,718	471,793
Other comprehensive income (loss)	6(21)		
Not to be reclassified to profit or loss in subsequent periods:			
Remeasurements of defined benefit plans		(1,005)	196
May be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(211,668)	(86,010)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method		(3,182)	(1,404)
Total other comprehensive income, net of tax		(215,855)	(87,218)
Total comprehensive income		$243,863	$384,575
Earnings per share-basic (in NTD)	6(23)	$6.99	$7.25
Earnings per share-diluted (in NTD)	6(23)	$6.96	$7.21

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollar)

Description	Equity Attributable to Shareholders of the Parent							Total Equity
	Share capital			Retained Earnings		Other Components of equity		
	Common Stock	Capital collected in advance	Capital surplus	Special Reserve	Accumulated profit or loss	Exchange Differences on Translation of Foreign Operations	Total	
Balance as of January 1, 2016	$649,322	$-	$813,038	$61,299	$920,747	$52,615	$2,497,021	$2,497,021
Appropriation and distribution of 2015 earnings:								
Cash dividends - common shares					(325,116)		(325,116)	(325,116)
Net income in 2016					471,793		471,793	471,793
Other comprehensive income in 2016					196	(87,414)	(87,218)	(87,218)
Total comprehensive income	-	-	-	-	471,989	(87,414)	384,575	384,575
Employee stock option certificates	6,170	2,700	15,832				24,702	24,702
Share-based payment transaction			856				856	856
Balance as of December 31, 2016	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

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, 2017 and 2016
(Amounts Expressed in Thousands of New Taiwan Dollars)

Items	2017	2016
Cash flows from operating activities:		
Net income before tax	$601,893	$641,707
Adjustments to reconcile net income before tax to net cash provided by (used in) operating activities:		
Depreciation	133,582	154,471
Amortization	2,836	3,342
Bad debt expenses	13	-
Interest expense	702	824
Interest income	(48,080)	(46,964)
Dividends	(10,404)	(10,927)
Cost of share-based payment	-	856
Share of profit or loss of associates and joint ventures accounted for under the equity method	(39,841)	(42,892)
Loss on disposal of property, plant and equipment	497	828
Unrealized (Realized) sales profit	(16)	2
Changes in operating assets and liabilities:		
Notes receivables	141	(138)
Trade receivables	(14,579)	63,258
Trade receivables-related parties	5,031	3,536
Other receivables	41	14,329
Other receivables-related parties	(113)	-
Inventories	(41,829)	5,341
Prepayments	4,145	(7,529)
Other current assets	(6,651)	(199)
Notes payables	(4)	5
Trade payables	41,430	(14,658)
Trade payables-related parties	(4,452)	(9,125)
Other payables	6,533	5,844
Other current liabilities	5,787	264
Net defined benefit liability	(3,575)	(15,536)
Cash generated from operations	633,087	746,639
Interest received	46,565	38,057
Dividends received	44,050	28,687
Interest paid	(682)	(850)
Income tax paid	(128,373)	(148,931)
Net cash provided by (used in) operating activities	594,647	663,602

Items	2017	2016
Cash flows from investing activities:		
Acquisition of debt instrument investments for which no active market exists	(79,086)	(117,246)
Acquisition of property, plant and equipment	(279,877)	(160,239)
Acquisition of intangible assets	(3,146)	(1,994)
Net cash provided by (used in) investing activities	(362,109)	(279,479)
Cash flows from financing activities:		
Increase in (repayment of) short-term borrowings	8,951	(19,057)
Increase (Decrease) in guarantee deposits	(1,753)	3,205
Cash dividends	(263,012)	(325,116)
Exercise of employee stock option	6,548	24,702
Net cash provided by (used in) financing activities	(249,266)	(316,266)
Effect of exchange rate changes	(153,750)	(63,164)
Net increase (decrease) in cash and cash equivalents	(170,478)	4,693
Cash and cash equivalents at beginning of period	841,578	836,885
Cash and cash equivalents at end of period	$671,100	$841,578

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 31 December 2017 and 2016 were authorized for issue by the Board of Directors on March 23, 2018.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after January 1, 2017. The nature and the impact of each new standard and amendment have no material impact on the Group.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group are listed below.

(a) *IFRS 15 "Revenue from Contracts with Customers"*

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) *IFRS 9"Financial Instruments"*

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that 'own credit risk' adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.
The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

(c) *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.

(d) *IAS 12"Income Taxes" — Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify how to account for deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017.

(e) *Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows":*

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after January 1, 2017.

(f) *IFRS 15 "Revenue from Contracts with Customers" — Clarifications to IFRS 15*

The amendments clarify how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendments are effective for annual periods beginning on or after January 1, 2018.

(g) *IFRS 2 "Shared-Based Payment" — Amendments to IFRS 2*

The amendments contain (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee's tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendments are effective for annual periods beginning on or after January 1, 2018.

(h) *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4*

The amendments help to resolve issues arising from the different effective dates for IFRS 9 "Financial Instruments" (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 "Financial Instruments" before the IASB's new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) *Transfers of Investment Property — Amendments to IAS 40*

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) *Improvements to International Financial Reporting Standards (2014-2016 cycle):*

IFRS 1 "First-time Adoption of International Financial Reporting Standards"

The amendments revise and amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 "Disclosure of Interests in Other Entities"

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28"Investments in Associates and Joint Ventures"

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 "Financial Instruments" on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) 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.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Group:

(a) IFRS 15"Revenue from Contracts with Customers" (including Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers")

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. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Group shall recognize 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. Though, for some contracts under which the Group has received part of the consideration from customers upon signing the contract and therefore has the obligation to deliver the goods subsequently, the Group shall recognize the consideration received as payment received in advance under other current liabilities. Starting from the date of initial application, 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.

B. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 "Financial Instruments"

The Group elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. Classification and measurement of financial assets

a. Available-for-sale financial assets – equity instrument investments

The assessment of the cash flow characteristics will be based on the facts and circumstances that exited as at the date of initial application. As these equity instrument investments are not held-for-trading, the Group elected to designate them as financial assets measured at fair value through other comprehensive income. On the date of initial application, the Group will reclassify available-for-sale financial assets 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 the requirement of IFRS 9, stocks of unlisted companies must be measured at fair value but are not required to be assessed for impairment. The estimated fair value of the stocks of unlisted companies was NT$11,007 thousand as at the date of initial application. The Group will adjust the carrying amount of financial assets measured at fair value through other comprehensive income.

b. Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Group.

B. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(c) Disclosure Initiative — Amendment to IAS 7 "Statement of Cash Flows"

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(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.

(a) *IFRS 16 "Leases"*

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(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. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) 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:

i. estimates of future cash flows;
ii. 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
iii. 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.

IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) *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. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) *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. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) *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. The amendments are effective for annual periods beginning on or after January 1, 2019.

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. The amendments are effective for annual periods beginning on or after January 1, 2019.

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. The amendments are effective for annual periods beginning on or after January 1, 2019.

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. The amendments are effective for annual periods beginning on or after January 1, 2019.

(g) *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 amendments are effective for annual periods beginning on or after January 1, 2019.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1)Statement of compliance

The consolidated financial statements for the years ended December 31, 2017 and 2016 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.

The consolidated entities are listed as follows:

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2017	2016
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	100.00%	100.00%

			Percentage of ownership (%)	
			As of December 31,	
Investor	Subsidiary	Main businesses	2017	2016
		equipment		
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 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 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 assets

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 upon initial recognition 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.

Impairment of financial assets

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.

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.

(b)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 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.

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.

(c)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.

(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 pro rata basis.

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

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or an investment in a joint venture is impaired in accordance with IAS 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	3~15 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

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 10% surtax on undistributed retained 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) Estimated impairment of trade receivable

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.

(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,	
	2017	2016
Cash on hand	$764	$607
Checking and savings	355,851	458,580
Time deposits	314,485	382,391
Total	$671,100	$841,578

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

	As of December 31,	
	2017	2016
Time deposits	$652,958	$573,872

	As of December 31,	
	2017	2016
Current	$652,958	$573,872
Non-current	-	-
Total	$652,958	$573,872

Debt instrument investments for which no active market exists were not pledged.

(3)Notes receivables

	As of December 31,	
	2017	2016
Notes receivables arising from operating activities	$65	$206
Less: allowance for doubtful debts	(57)	(57)
Total	$8	$149

Notes receivables were not pledged.

(4)Trade receivables and Trade receivables-related parties

	As of December 31,	
	2017	2016
Trade receivables	$560,004	$545,425
Less: allowance for doubtful debts	(11,239)	(12,273)
Subtotal	548,765	533,152
Trade receivables from related parties	15,487	20,518
Less: allowance for doubtful debts	-	-
Subtotal	15,487	20,518
Total	$564,252	$553,670

Trade receivables are generally on 15-90 days terms. The movements schedule for the provision of impairment against trade receivables and trade receivables-related parties is as follow (Please also refer to Note 12 for credit risk disclosure):

	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
As of January 1, 2016	$-	$12,721	$12,721
Charge/(reversal) for the current period	-	-	-
Effect of exchange rate changes	-	(448)	(448)
As of December 31, 2016	$-	$12,273	$12,273

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

		Past due but not impaired			
	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
Dec. 31, 2016	498,068	40,783	14,819	-	553,670

(5)Inventories

(a)Details of inventories are as below:

	As of December 31,	
	2017	2016
Raw materials and Supplies	$169,863	$143,816
Work in progress	161,669	118,543
Finished goods	79,492	106,976
Merchandises	5,816	5,676
Total	$416,840	$375,011

(b)The cost of inventories recognized in expenses amounted to NT$3,335,304 thousand and NT$3,416,393 thousand for the years ended December 31, 2017 and 2016, respectively.

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

	For the year ended December 31,	
	2017	2016
Loss from inventory market decline	$1,408	$1,989
Loss in inventory write-off obsolescence	20,878	9,935
Loss (gain) from physical	(18)	(27)
Total	$22,268	$11,897

(c)Inventories were not pledged.

(6)Financial assets carried at cost

	As of December 31,	
	2017	2016
Stock	$11,007	$11,007

	As of December 31,	
	2017	2016
Current	$-	$-
Non-current	11,007	11,007
Total	$11,007	$11,007

(a)The above investments in equity instruments of unlisted entities are measured at cost. 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.

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

(7)Investments accounted for under the equity method

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

	As of December 31,			
	2017		2016	
Investee companies	Carrying amount	Percentage of Ownership	Carrying amount	Percentage of Ownership
Investments in associates:				
Exedy Vietnam Co., Ltd.	$93,500	20.00%	$89,430	20.00%
Hsieh Yuan Technology Vietnam Co., Ltd.	24,951	45.00%	34,234	45.00%
Total	$118,451		$123,664	

(b)Investments in associates

The Group's investments in Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. are not individually material. The aggregate carrying amounts of the Group's interests in Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. were NT$118,451 thousand and NT$123,664 thousand for the years ended December 31, 2017 and 2016, respectively. The aggregate financial information based on the Group's share of Exedy Vietnam Co., Ltd. and Hsieh Yuan Technology Vietnam Co., Ltd. is as follows:

	For the year ended December 31,	
	2017	2016
Profit or loss from continuing operations	$39,841	$42,892
Other comprehensive income (post-tax)	-	-
Total comprehensive income	$39,841	$42,892

The aforementioned associates had no contingent liabilities or capital commitments and were not under pledge as of December 31, 2017 and 2016.

As of December 31, 2017 and 2016, the balances of investments accounted for under the equity method were NT$118,451 thousand and NT$123,664 thousand, respectively. For the years ended December 31, 2017 and 2016, shares of investment income from these associates and joint ventures amounted to NT$39,841 thousand and NT$42,892 thousand, respectively. For the years ended December 31, 2017 and 2016, share of other comprehensive income from these associates and joint ventures amounted to NT$(3,182) thousand and NT$(1,404) thousand.

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

(d)For the years ended December 31, 2017 and 2016, Vietnam Precision Industrial No.1 Co., Ltd. received distribution from Exedy Vietnam Co., Ltd. in amount of NT$16,366 thousand and NT$9,120 thousand, respectively, which were accounted for as a reduction to the carrying amount of the investment.

(e)For the years ended December 31, 2017 and 2016, Eurocharm Innovation Co., Ltd. (B.V.I.) received distribution from Hsieh Yuan Technology Vietnam Co., Ltd. in amount of NT$17,280 thousand and NT$8,640 thousand, which was accounted for as a reduction to the carrying amount of the investment.

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

(8)Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office Equipment	Other Equipment	Construction in progress and equipment awaiting examination	Total
Cost:								
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
As of Jan. 1, 2016	$52,420	$183,599	$1,335,992	$74,518	$10,984	$103,417	$8,825	$1,769,755
Additions	-	1,375	49,087	4,860	2,189	14,361	85,419	157,291
Disposals	-	-	(11,500)	(992)	(1,186)	(1,810)	-	(15,488)
Transfers	-	2,703	39,681	1,060	-	-	(43,444)	-
Exchange differences	-	(6,313)	(49,284)	(2,639)	(313)	(4,194)	(314)	(63,057)
As of Dec. 31, 2016	$52,420	$181,364	$1,363,976	$76,807	$11,674	$111,774	$50,486	$1,848,501
Depreciation and impairment:								
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
As of Jan. 1, 2016	$-	$88,247	$862,398	$58,928	$6,733	$82,849	$-	$1,099,155
Depreciation	-	10,548	118,141	5,238	2,400	18,144	-	154,471
Disposals	-	-	(10,742)	(927)	(1,186)	(2,450)	-	(15,305)
Exchange differences	-	(3,022)	(32,443)	(2,137)	(212)	(3,047)	-	(40,861)
As of Dec. 31, 2016	$-	$95,773	$937,354	$61,102	$7,735	$95,496	$-	$1,197,460
Net carrying amount as of:								
Dec. 31, 2017	$52,420	$76,589	$410,904	$12,327	$4,227	$14,713	$176,756	$747,936
Dec. 31, 2016	$52,420	$85,591	$426,622	$15,705	$3,939	$16,278	$50,486	$651,041

Significant components of buildings primarily comprised the main buildings and the facilities, which are depreciated based on their respective useful economic life of 50 years and 5 to 20 years.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(9)Intangible assets

	Computer software	Patents	Total
Cost:			
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
As of Jan. 1, 2016	$23,465	$228	$23,693
Additions-acquired separately	1,994	-	1,994
Deduction	(620)	-	(620)
Exchange differences	(753)	-	(753)
As of Dec. 31, 2016	$24,086	$228	$24,314
Amortization:			
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
As of Jan. 1, 2016	$16,681	$34	$16,715
Amortization	3,148	194	3,342
Deduction	(620)	-	(620)
Exchange differences	(560)	-	(560)
As of Dec. 31, 2016	$18,649	$228	$18,877
Net carrying amount as of:			
Dec. 31, 2017	$5,343	$-	$5,343
Dec. 31, 2016	$5,437	$-	$5,437

Amortization of intangible assets is as follows:

	For the year ended December 31,	
	2017	2016
Operating costs	$2	$2
Sales and marketing expenses	1	1
General and administrative expenses	2,686	3,039
Research and development expenses	147	300
Total	$2,836	$3,342

(10)Other non-current assets

	As of December 31,	
	2017	2016
Refundable deposits	$400	$400

(11)Short-term borrowings

		As of December 31,	
	Interest Rates (%)	2017	2016
Secured bank loans	0.9%～0.953%	$40,000	$40,000
Unsecured bank loans	1.5%～2.4817%	17,021	8,070
Total		$57,021	$48,070

The Group's unused short-term lines of credits amount to NT$388,430 thousand and NT$470,011 thousand as of December 31, 2017 and 2016, respectively.

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

(12)Other payables

	As of December 31,	
	2017	2016
Accrued expense	$176,819	$170,286
Payables on equipment	3,445	417
Accrued interest	28	9
Total	$180,292	$170,712

(13)Other non-current liabilities

	As of December 31,	
	2017	2016
Net defined benefit liability	$13,024	$15,594
Guarantee deposits received	6,052	7,805
Other non-current liabilities	5,000	5,000
Total	$24,076	$28,399

(14)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, 2017 and 2016 were NT$1,919 thousand and NT$2,025 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$840 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

As of December 31, 2017 and 2016, the maturities of the Group's Taiwan domestic subsidiaries defined benefit plan were expected in 2042 and 2046.

Pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016:

	For the year ended December 31,	
	2017	2016
Current period service costs	$619	$669
Net interest of defined benefit	198	406
Total	$817	$1,075

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

	As of December 31,		
	Dec.31, 2017	Dec.31, 2016	Jan.1, 2016
Defined benefit obligation	$37,135	$37,882	$39,415
Plan assets at fair value	(23,271)	(21,370)	(6,907)
Subtotal	13,864	16,512	32,508
Net defined benefit expected to contribute during the 12 months	(840)	(918)	(1,182)
Other non-current liabilities – net defined benefit liability on the consolidated balance sheets	$13,024	$15,594	$31,326

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, 2016	$39,415	$(6,907)	$32,508
Current period service costs	669	-	669
Net interest expense (revenue)	492	(86)	406
Past service cost, gains and losses arising from settlements	-	-	-
Subtotal	40,576	(6,993)	33,583
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	108	-	108
Actuarial gains and losses arising from changes in financial assumptions	114	(5)	109
Experience adjustments	(413)	-	(413)
Re-measurement on defined benefit assets	-	-	-
Subtotal	(191)	(5)	(196)
Payments from the plan	(2,503)	2,503	-
Contributions by employer	-	(16,875)	(16,875)
Effect of exchange rates	-	-	-
As of Dec. 31, 2016	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

	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	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

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

	As of December 31,	
	2017	2016
Discount rate	1.07%	1.20%
Expected rate of salary increases	1.00%	1.00%

Sensitivity analysis:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase defined benefit obligation	Decrease defined benefit obligation	Increase defined benefit obligation	Decrease defined benefit obligation
Discount rate increase by 0.5%	$-	$1,030	$-	$1,093
Discount rate decrease by 0.5%	1,151	-	1,218	-
Future salary increase by 0.5%	1,146	-	1,215	-
Future salary decrease by 0.5%	-	1,036	-	1,100

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.

(15)Equities

(a)Common stock

The Company's authorized capital was both NT$900,000 thousand as of December 31, 2017 and 2016, divided into 65,809 thousand shares and 65,549 thousand shares, each at a par value of NT$10, respectively. Total issued stock capital were NT$658,092 thousand and NT$655,492 thousand, respectively. Each share has one voting right and a right to receive dividends.

For the years ended December 31, 2017 and 2016, the Company's employees exercised stock options for 185 thousand shares and 617 thousand shares in amount of NT$6,548 thousand and NT$22,002 thousand, respectively.

The Company issued employee stock option on September 15, 2012. During 2016, employees exercised 75 thousand shares in amount of NT$2,700 thousand, which have not been issued for new shares as of December 31, 2016 and were recorded under the caption of capital collected in advance.

(b)Capital surplus

	As of December 31,	
	2017	2016
Additional paid-in capital	$835,576	$827,743
Employee stock option	78	1,263
Other	720	720
Total	$836,374	$829,726

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 old 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. the proposal shall begin with the Company's annual net income and offset its losses in previous years that have not been previously offset, if any;

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. set aside no more than 2% of the balance as bonus to Directors and no less than 2% of the balance as bonus to employees of the Company, which may be distributed under an incentive program approved pursuant to Article above. The Directors shall specify the exact percentages or amounts to be distributed as bonuses to Directors and employees in preparing the proposal for distribution of profits, and the Members may amend such proposal prior to its approval. A Director who also serves as an executive officer of the Company may receive a bonus in his capacity as a Director and a bonus in his capacity as an employee; and

iv. Any balance left over may be distributed as dividends in accordance with the Statute and the Applicable Public Company Rules and after taking into consideration profits of the current year and capital structure of the Company, unless otherwise specifically resolved by the board of directors and the general meetings, the amount of profits distributed to Members 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.

The Company's shareholders' meeting held on June 23, 2016 approved the resolution of amending the Articles of Incorporation. According to the revised Articles of Incorporations, 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 an Ordinary Resolution at a general shareholders' 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;

ix. 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.

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 6 April 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

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

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

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

Please refer to Note 6(18) for further details on employees' compensation and remuneration to directors and supervisors.

(16)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 optionee to subscribe for one share of the Company's common shares. The exercise price of the option was NT$40. The optionee 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

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 details on the aforementioned share-based payment plan:

	For the year ended December 31,			
	2017		2016	
	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	202,000	$36	894,000	$38
Granted	-	-	-	-
Exercised	(185,000)	35.39 (Note1)	(692,000)	36 (Note2)
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of period	17,000	$34	202,000	$36
Exercisable at end of period	17,000		202,000	

Note 1: The weighted average share price at the date of exercise of these option was $83.10.
Note 2: The weighted average share price at the date of exercise of these option was $98.06.

(c)The information on the outstanding share options as of December 31, 2017 and 2016 is as follows:

	Range of exercise price	Weighted average remaining contractual life (Years)
As of Dec. 31, 2017 share options outstanding at the end of the period	$34	0.75 years
As of Dec. 31, 2016 share options outstanding at the end of the period	$36	1.75 years

(d) The expense recognized for employee services received during the years ended December 31, 2017 and 2016, is shown in the following table:

	For the year ended December 31,	
	2017	2016
Total expense arising from equity-settled share-based payment transactions	$-	$856

(17)Operating revenue

	For the year ended December 31,	
	2017	2016
Sale of goods	$4,077,037	$4,183,097
Less: Sales returns, discounts and allowances	(15,049)	(19,751)
Subtotal	4,061,988	4,163,346
Revenue arising from rendering of services	178	1,433
Total	$4,062,166	$4,164,779

(18)Summary statement of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2017 and 2016:

	For the year ended December 31,					
	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	$646,197	$113,838	$760,035	$660,301	$118,260	$778,561
Labor and health insurance	1,798	3,300	5,098	1,737	3,286	5,023
Pension	839	1,897	2,736	929	2,171	3,100
Other employee benefits expense	9,098	4,776	13,874	10,425	4,993	15,418
Depreciation	130,594	2,988	133,582	149,482	4,989	154,471
Amortization	2	2,834	2,836	2	3,340	3,342

The Company recorded the compensations to employees and to directors and supervisors for the year ended December 31, 2017 in amount of NT$18,865 thousand and NT$10,300 thousand, respectively. Employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2016 in amount of NT$18,100 thousand and NT$10,300 thousand, respectively. The aforementioned employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2017 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 shareholder's meeting has determined the employees' compensation and directors' remuneration, all in cash, to be NT$18,100 thousand and NT$10,300 thousand, respectively, in a meeting held on March 16, 2017. No material differences existed between the estimated amount and the actual distribution for the year ended December 31, 2016.

(19)Non-operating income and expenses

(a)Other income

	For the year ended December 31,	
	2017	2016
Interest income	$48,080	$46,964
Rental income	18,645	19,138
Dividends income	10,404	10,927
Others	6,708	14,719
Total	$83,837	$91,748

(b)Other gains and losses

	For the year ended December 31,	
	2017	2016
Losses on disposal of property, plant and equipment	$(497)	$(828)
Foreign exchange losses, net	(11,805)	(1,677)
Others	(3,860)	(2,624)
Total	$(16,162)	$(5,129)

(c)Finance costs

	For the year ended December 31,	
	2017	2016
Interest on borrowings from bank	$702	$824

(20)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 operating leases as of December 31, 2017 and 2016, are as follows:

	As of December 31,	
	2017	2016
Not later than one year	$1,941	$2,291
More than one year but less than five years	2,000	191
Total	$3,941	$2,482

Operating lease expenses recognized are as follows:

	For the year ended December 31,	
	2017	2016
Minimum lease payment	$2,324	$2,324

(b)Operating lease commitments – Group as lessor

The Group has entered into commercial property leases with remaining terms of between one and two years. 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 operating leases as of December 31, 2017 and 2016, are as follows:

	For the year ended December 31,	
	2017	2016
Not later than one year	$15,450	$6,797

The Group recognized rent income in amount of NT$18,645 thousand and NT$19,138 thousand for the years ended December 31, 2017 and 2016, respectively.

(21)Components of other comprehensive income

	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)

	For the year ended December 31, 2016				
	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	$196	$-	$196	$-	$196
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(86,010)	-	(86,010)	-	(86,010)
Share of other comprehensive income of associates and joint ventures accounted for under the equity method	(1,404)	-	(1,404)	-	(1,404)
Total of other comprehensive income	$(87,218)	$-	$(87,218)	$-	$(87,218)

(22)Income tax

(a)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,	
	2017	2016
Current income tax expense (income):		
Current income tax charge	$141,875	$168,033
Adjustments in respect of current income tax of prior periods	1,129	1,872
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	(829)	9
Deferred tax expense relating to origination and reversal of tax loss and tax credit	-	-
Total income tax expense	$142,175	$169,914

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

	For the year ended December 31,	
	2017	2016
Deferred tax expense (income):		
Remeasurements of defined benefit plans	$-	$-

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

	For the year ended December 31,	
	2017	2016
Accounting profit before tax from continuing operations	$601,893	$641,707
Tax payable at the enacted tax rates	$142,324	$170,338
10 % surtax on undistributed retained earnings	1,553	3,669
Tax effect of expenses not deductible for tax purposes	(2,831)	(5,965)
Tax effect of deferred tax assets/liabilities	-	-
Adjustments in respect of current income tax of prior periods	1,129	1,872
Total income tax expense recognized in profit or loss	$142,175	$169,914

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

	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	Deferred tax income (expense) charged directly to equity	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	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)

	For the year ended December 31, 2016						
	Beginning balance as at Jan. 1, 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Deferred tax income (expense) charged directly to equity	Deferred tax assets (liabilities) acquired in business combinations	Exchange differences	Ending balance as at Dec. 31, 2016
Temporary differences							
Unrealized loss on inventory valuation	$538	$-	$-	$-	$-	$-	$538
Unrealized exchange loss (gain)	(1,509)	(9)	-	-	-	-	(1,518)
Bonus for unused vacation	176	-	-	-	-	-	176
Revaluation surplus of land	(16,410)	-	-	-	-	-	(16,410)
Deferred tax income/(expense)		$(9)	$-	$-	$-	$-	
Net deferred tax assets/(liabilities)	$(17,205)						$(17,214)
Reflected in balance sheet as follows:							
Deferred tax assets	$714						$714
Deferred tax liabilities	$(17,919)						$(17,928)

(e)Imputation credit information – for the subsidiary, Eurocharm Innovation Co., Ltd.

	As of December 31,	
	2017	2016
Balances of imputation credit amounts	$30,339	$26,197

The expected creditable ratio for 2017 and actual creditable ratio for 2016 were 33.87% and 29.74%, respectively. However, effective January 1, 2015, the creditable ratio for the individual shareholders residing in the Republic of China will be reduced to half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law. The expected creditable ratio for 2017 mentioned above is only for reference as it will become invalid based on the abolishment of Partially Imputation System on Integrated Income Tax due to an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018.

Earnings of Eurocharm Innovation Co., Ltd. generated in the years ended December 31, 1997 or before have been fully appropriated.

(f)The assessment of income tax returns

As of December 31, 2017, the assessment of the income tax returns of the Company's subsidiaries is as follows:

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

(23)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,	
	2017	2016
(a)Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$459,718	$471,793
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,758	65,069
Basic earnings per share (NT$)	$6.99	$7.25
(b)Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT$)	$459,718	$471,793
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	65,758	65,069
Effect of dilution:		
Employee bonus—stock (in thousands)	266	263
Employee stock options (in thousands)	10	111
Weighted average number of ordinary shares outstanding after dilution (in thousands)	66,034	65,443
Diluted earnings per share (NT$)	$6.96	$7.21

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period subsequent to reporting date and up to the approval date of financial statements.

7. RELATED PARTY TRANSACTIONS

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

Related parties and relation

Related parties	Relation
Exedy Vietnam Co., Ltd.	Associates
Hsieh Yuan Technology Vietnam Co., Ltd.	Associates
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,	
	2017	2016
Associates	$163,036	$190,252

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,	
	2017	2016
Associates	$71,532	$69,807
Other related parties	4,833	7,522
Total	$76,365	$77,329

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, 2017 and 2016, the Group were charged by associates for processing and therefore recognized processing expense in amount of NT$43,099 thousand and NT$49,487 thousand, respectively.

(d)For the years ended December 31, 2017 and 2016, the Group charged associates for processing and therefore recognized processing income in amount of NT$178 thousand and NT$168 thousand, respectively, which were recorded under the caption of operating revenues.

(e)For the years ended December 31, 2017 and 2016, the Group dealt with sales services on behalf of other related parties and therefore recognized commissions income in amount of NT$0 and NT$1,265 thousand, respectively, which were recorded under the caption of operating revenues.

(f)For the years ended December 31, 2017 and 2016, the Group were charged by associates due to product defect and therefore recognized compensation in amount of NT$127 thousand and NT$733 thousand, respectively, which were recorded under the caption of other gains and losses.

(g)For the years ended December 31, 2017 and 2016, the Group charged associates for processing product defect and therefore recognized compensation income in amount of NT$0 and NT$3 thousand, respectively, which were recorded under the caption of other incomes.

(h)For the years ended December 31, 2017 and 2016, the Group charged other related parties for provided services and recognized service revenue in amount of NT$275 thousand and NT$0, respectively, which were recorded under the caption of other incomes.

(i)Trade receivables from related parties

	As of December 31,	
	2017	2016
Associates	$15,487	$20,518

(j)Other receivables from related parties

	As of December 31,	
	2017	2016
Other related parties	$113	$-

(k)Trade payables to related parties

	As of December 31,	
	2017	2016
Associates	$7,898	$12,180
Other related parties	496	666
Total	$8,394	$12,846

(l)Lease transactions with related parties

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

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

Lessee	Lease	Duration	Rental income
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

For the year ended Dec. 31, 2016			
Associate	Property and plant	Jan. 1, 2015~ Dec. 31, 2016	$11,058
Associate	Property and plant	Jan. 1, 2016~ Dec. 31, 2017	8,080
Total			$19,138

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

	For the year ended December 31,	
	2017	2016
Short-term employee benefits	$18,520	$21,394
Post-employment benefits	341	414
Share-based payment	6,521	7,574
Total	$25,382	$29,382

8. PLEDGED ASSETS

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

	Carrying amount As of December 31,		
Assets pledged for security	2017	2016	Secured liabilities
Property, plant and equipment - land	$52,420	$52,420	Short-term borrowings
Property, plant and equipment - buildings	582	671	Short-term borrowings
Total	$53,002	$53,091	

9.SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

As of December 31, 2017, 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	VND142,000,000	VND127,800,000	VND14,200,000

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

Income tax rate applicable to the Group's Taiwan domestic subsidiaries would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. The Group's deferred tax asset and deferred tax liability would increase by NT$126 thousand and NT$3,018 thousand, respectively, subsequently in 2018 as a result of the tax rate change.

12.OTHERS

(1)Financial instruments

Categories of financial instruments

Financial assets

	As of December 31,	
	2017	2016
Available-for-sale financial assets:		
Financial assets measured at cost	$11,007	$11,007
Loans and receivables:		
Cash and cash equivalents (exclude cash on hand)	670,336	840,971
Debt instrument investments for which no active market exists	652,958	573,872
Notes receivables	8	149
Trade receivables	548,765	533,152
Trade receivables from related parties	15,487	20,518
Other receivables	26,061	26,183
Other receivables from related parties	113	-
Subtotal	1,913,728	1,994,845
Total	$1,924,735	$2,005,852

Financial liabilities

	As of December 31,	
	2017	2016
Financial liabilities at amortized cost:		
Short-term borrowings	$57,021	$48,070
Trade and other payables	541,946	495,392
Total	$598,967	$543,462

(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 are 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 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, 2017 and 2016 decreased/increased by NT$5,615 thousand and NT$6,211 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 31 December 2017 and 2016 to increase/decrease by NT$339 thousand and NT$411 thousand, respectively.

Equity price risk

As of December 31, 2017 and 2016, the Group did not have equity securities that are measured at fair value and therefore did not have equity price risk.

(4)Credit risk management

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

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

As of December 31, 2017 and 2016, accounts receivable from top ten customers represent 86.70% and 90.77% of the total accounts receivable of the Group, respectively. The credit concentration risk of other accounts receivable are relatively not significant.

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

(5)Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year
As of December 31, 2017	
Short term borrowings	$57,164
Trade and other payables	541,946
As of December 31, 2016	
Short term borrowings	$48,137
Trade and other payables	495,392

(6)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, accounts receivables, accounts 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(7) for fair value measurement hierarchy for financial instruments of the Group.

(7)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.

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

As of December 31, 2017 and 2016, the Group did not have financial assets and liabilities that are measured at fair value.

(8)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 December 31,					
	2017			2016		
	Foreign currencies	Exchange rate	NTD	Foreign currencies	Exchange rate	NTD
Financial assets						
Monetary items:						
USD	$20,814	29.96	$623,670	$20,146	32.73	$659,339
VND	$905,192,761	0.001331	$1,204,813	$852,616,655	0.001457	$1,242,262
Investments accounted for using the equity method						
VND	$89,027,429	0.001331	$118,496	$84,920,640	0.001457	$123,729
Financial liabilities						
Monetary items:						
USD	$1,871	30.21	$56,525	$970	33.01	$32,024
VND	$237,213,727	0.001331	$315,731	$229,083,154	0.001469	$336,591

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

The Group's entities functional currency are various, and hence is not able to disclose the information of exchange gains and losses of monetary financial assets and liabilities by each significant assets and liabilities denominated in foreign currencies. The foreign exchange losses were NT$(11,805) thousand and NT$(1,677) thousand for the years 2017 and 2016, respectively.

(9)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, 2017 (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, 2017: 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, 2017: 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, 2017: 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, 2017: None.

(h)Receivables from related parties of at least NT$100 million or 20 percent of the paid-in capital as of December 31, 2017: None.

(i)Derivative instrument transactions: None.

(j)Intercompany relationships and significant intercompany transactions for the year ended December 31, 2017: Please refer to Attachment 5.

(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, 2017 (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, 2017: 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, 2017: 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, 2017: 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, 2017: 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, 2017: None.

ix. Derivative instrument transactions: None.

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

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,	
	2017	2016
Vietnam	$2,764,397	$3,084,643
Other	1,297,769	1,080,136
Total	$4,062,166	$4,164,779

(b)Non-current assets

	As of December 31,	
	2017	2016
Vietnam	$807,159	$718,828
Taiwan	64,971	61,714
Total	$872,130	$780,542

(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,	
	2017	2016
Customer A	$1,964,550	$2,082,372
Customer B	429,195	Note

Note: No additional discourses for the year ended December 31, 2016 due to this customer's revenue being accounted for less than 10% of net sales.

ATTACHMENT 1(Endorsement/Guarantee provided to others for the year ended December 31, 2017)
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

No. (Note 1)	Endorser/Guarantor	Receiving party		Limit of guarantee/endorsement amount for receiving party	Maximum balance for the period	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	Guarantee Provided by Parent Company	Guarantee Provided by A Subsidiary	Guarantee Provided to Subsidiaries in Mainland China
		Company name	Relationship										
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd. (B.V.I.)	Subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	$60,872 (USD 2,000)	$-	$-	$-	-%	Limit of total guaranteed/endorsed amount shall not exceed 50% net assets value as of Dec. 31, 2017 $1,284,719.	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Apex Precision Industrial Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	$31,360 (USD 1,000)	$29,848 (USD 1,000) (Note 2)	$-	$-	1.16%	Limit of total guaranteed/endorsed amount shall not exceed 50% net assets value as of Dec. 31, 2017 $1,284,719.	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Eurocharm Innovation Co., Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	$90,000	$30,000	$-	$-	1.17%	Limit of total guaranteed/endorsed amount shall not exceed 50% net assets value as of Dec. 31, 2017 $1,284,719.	Y	N	N
0	Eurocharm Holdings Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Sub-subsidiary	The aggregate amount of guarantees/endorsements that the Company as a whole is permitted to make shall not exceed 40% of the Company's net assets.	$266,957 (USD 8,000)	$179,088 (USD 6,000) (Note 2)	$16,785	$-	6.97%	Limit of total guaranteed/endorsed amount shall not exceed 50% net assets value as of Dec. 31, 2017 $1,284,719.	Y	N	N

Note 1: Eurocharm Holdings Co., Ltd. is coded "0".
Note 2: Foreign currency were exchanged by exchange rate as at balance sheet date.

ATTACHMENT 2 (If an investor has the ability to exercise significant influence on investee or has material controlling power on investee) (Excluding investment in Mainland China)
(All the currencies are denominated in Thousands of New Taiwan Dollars, foreign currency)

EUROCHARM HOLDINGS CO., LTD. AND SUBSIDIARIES

				Original Investment Amount		Investments as of December 31, 2017					
Investor Company	Investee Company	Address	Main businesses and products	As of Dec. 31, 2017	As of Dec. 31, 2016	Number of shares	Percentage of ownership (%)	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%	$2,664,453 (Note 3)	$520,894	$520,894 (Note 3)	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%	106,439 (Note 3)	(1,535)	4,876 (Note 1) (Note 3)	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%	2,415,969 (Note 3)	504,627	504,627 (Note 3)	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%	78,869 (Note 3)	24,378	5,902 (Note 2) (Note 3)	Sub-subsidiary
Eurocharm Innovation Co., Ltd. (B.V.I.)	Optimal Victory Ltd.	Samoa	Trading activities	USD 900	USD 900	900,000	100.00%	26,695 (Note 3)	(2,286)	(2,286) (Note 3)	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%	24,951	24,843	11,179	Investment accounted for using the equity method
Vietnam Precision Industrial No.1 Co., Ltd.	Exedy Vietnam Co., Ltd.	Vietnam	Manufacturing and sales of motor parts	VND 13,212,264	VND 13,212,264	-	20.00%	93,500	143,308	28,662	Investment accounted for using the equity method

Note 1: Including investment loss recognized under equity method amounted to NT$1,535 thousand, realized profit on transaction between subsidiaries amounted to NT$20,105 thousand and unrealized profit on transaction between subsidiaries amounted to NT$13,694 thousand.

Note 2: Including investment gain recognized under equity method amounted to NT$24,378 thousand, realized profit on transaction between subsidiaries amounted to NT$25,587 thousand and unrealized profit on transaction between subsidiaries amounted to NT$44,063 thousand.

Note 3: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 3 (Securities held as of December 31, 2017) (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, 2017					
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 carried at cost	-	$11,007	6.91%	-	Note 1	None

Note1 : No active market and the fair value is not reliably measurable.

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, 2017)
(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 accounts 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	$221,307	51.00%	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 $40,791	42.67%	1
Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	Also a subsidiary under the company's control	Sales	$157,110	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 $23,930	100.00%	1

Note 1: Transactions between consolidated entities are eliminated in the consolidated financial statements.

ATTACHMENT 5(Intercompany relationships and significant intercompany transactionstime)

(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 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%
	Year 2016						
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	$229,266	60~90 days after monthly closing	5.50%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	21,579	60~90 days after monthly closing	0.66%
1	Eurocharm Innovation Co., Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Other revenue	113	-	-%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Sales	79,377	60~90 days after monthly closing	1.91%
2	Apex Precision Industrial Ltd.	Vietnam Precision Industrial No.1 Co., Ltd.	3	Trade receivables	2,700	60~90 days after monthly closing	0.08%

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.