

## **FineTek Co., Ltd. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2018 and 2017 and  
Independent Auditors' Report**

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
FineTek Co., Ltd.

### Opinion

We have audited the accompanying consolidated financial statements of FineTek Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the 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 Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the year ended December 31, 2018. 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.

The key audit matters in the consolidated financial statements of FineTek Co., Ltd. and its subsidiaries for the year ended December 31, 2018 are the following:

#### Validity of Occurrence of Sales Revenue from Major Customers

The consolidated operating revenue of the Group for the year ended December 31, 2018 was \$1,094,038 thousand, which represented an increase of 3% compared with the previous year. Out of this amount, the amount generated from the major customers of the Group whose individual sales growth rates exceeded the overall sales growth rate amounted to \$202,243 thousand, which accounted for 18.49% of consolidated total sales revenue. To meet shareholders' and external investors' expectations, the management may be under pressure to meet the profit target. Therefore, we assessed that the main risk of revenue recognition from the aforementioned group of customers is the validity of occurrence of the sales transactions from such customers, and identified this as the key audit matter. The accounting policies related to revenue recognition are disclosed in Note 4 (1) to the consolidated financial statements.

The audit procedures we performed in respect of the sales revenue from the aforementioned customers are as follows:

1. We understood and tested the internal controls related to the sales revenue of the aforementioned customers, and assessed the effectiveness of its design and implementation.
2. We obtained the list of the aforementioned customers for the year 2018 and assessed if their backgrounds, transaction amounts and credit limits granted were reasonable and consistent with their scale.
3. We selected samples of sales transactions from aforementioned customers and checked the details through external shipping documents and customer receipt documents to verify whether the amounts of these transactions are consistent and inspected trade receivables of third parties according to the trade terms under normal conditions and which did not have unusual circumstances. We also checked significant sales returns and allowances against the related sales after the reporting period to confirm the validity of occurrence of the sales revenue.

#### **Other Matter**

We have also audited the parent company only financial statements of FineTek Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

#### **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

## **Auditors' 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 auditors' 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 the 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 the 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 Group's internal control.
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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group 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 the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Chung Chen Chen and Keng Hsi Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2019

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance 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 practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 566,695	36	\$ 474,012	30
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	-	-	56	-
Debt investments with no active market - current (Notes 3, 4 and 10)	-	-	55,555	4
Notes receivable (Notes 3, 4, 11 and 24)	41,047	3	46,330	3
Trade receivables (Notes 3, 4, 5, 11 and 24)	151,876	9	156,905	10
Other receivables (Notes 3, 4, 11 and 28)	1,584	-	1,933	-
Current tax assets (Notes 4 and 26)	2,617	-	683	-
Inventories (Notes 4 and 12)	219,131	14	215,770	14
Other financial assets - current (Notes 3, 4, 18 and 33)	11,458	1	4,951	-
Other current assets (Notes 3, 17 and 18)	<u>7,397</u>	<u>-</u>	<u>9,383</u>	<u>1</u>
Total current assets	<u>1,001,805</u>	<u>63</u>	<u>965,578</u>	<u>62</u>
<b>NON-CURRENT ASSETS</b>				
Held-to-maturity financial assets - non-current (Notes 3, 4 and 9)	-	-	11,907	1
Financial assets at amortized cost - non-current (Notes 3, 4 and 8)	12,289	1	-	-
Property, plant and equipment (Notes 4, 14 and 33)	467,540	29	472,705	30
Other intangible assets (Notes 4 and 16)	43,912	3	48,610	3
Goodwill (Notes 4 and 15)	38,731	3	39,078	3
Deferred tax assets (Notes 4 and 26)	19,864	1	13,719	1
Long-term prepayments for leases (Notes 3 and 17)	5,849	-	6,134	-
Other non-current assets (Notes 3, 4, 18 and 22)	<u>5,111</u>	<u>-</u>	<u>2,939</u>	<u>-</u>
Total non-current assets	<u>593,296</u>	<u>37</u>	<u>595,092</u>	<u>38</u>
<b>TOTAL</b>	<u>\$ 1,595,101</u>	<u>100</u>	<u>\$ 1,560,670</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 4 and 19)	\$ 3,837	-	\$ 18,877	1
Contract liabilities - current (Notes 3 and 24)	18,396	1	-	-
Notes payable (Note 20)	6,460	1	6,777	1
Trade payables (Note 20)	56,148	4	63,620	4
Other payables (Notes 21 and 28)	84,130	5	74,353	5
Current tax liabilities (Notes 4 and 26)	30,728	2	20,442	1
Current portion of long-term borrowings (Notes 4, 19 and 33)	1,318	-	1,963	-
Other current liabilities (Notes 3 and 21)	<u>627</u>	<u>-</u>	<u>11,657</u>	<u>1</u>
Total current liabilities	<u>201,644</u>	<u>13</u>	<u>197,689</u>	<u>13</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 19 and 33)	-	-	1,210	-
Deferred tax liabilities (Notes 4 and 26)	62,347	4	44,368	3
Guarantee deposits (Note 21)	<u>1,077</u>	<u>-</u>	<u>793</u>	<u>-</u>
Total non-current liabilities	<u>63,424</u>	<u>4</u>	<u>46,371</u>	<u>3</u>
Total liabilities	<u>265,068</u>	<u>17</u>	<u>244,060</u>	<u>16</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 23)</b>				
Share capital				
Ordinary shares	403,892	25	403,892	26
Capital surplus	319,889	20	319,889	20
Retained earnings				
Legal reserve	180,576	11	161,024	11
Special reserve	25,871	2	19,659	1
Unappropriated earnings	466,191	29	438,017	28
Other equity				
Exchange differences on translating foreign operations	(29,548)	(2)	(25,871)	(2)
Treasury shares	<u>(36,973)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Total equity attributable to owners of the Finetek	1,329,898	83	1,316,610	84
<b>NON-CONTROLLING INTERESTS (Note 23)</b>	<u>135</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total equity	<u>1,330,033</u>	<u>83</u>	<u>1,316,610</u>	<u>84</u>
<b>TOTAL</b>	<u>\$ 1,595,101</u>	<u>100</u>	<u>\$ 1,560,670</u>	<u>100</u>

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

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 24 and 32)	\$ 1,094,038	100	\$ 1,060,656	100
OPERATING COSTS (Notes 12 and 25)	<u>470,951</u>	<u>43</u>	<u>469,369</u>	<u>44</u>
GROSS PROFIT	<u>623,087</u>	<u>57</u>	<u>591,287</u>	<u>56</u>
OPERATING EXPENSES (Notes 4, 25 and 32)				
Selling and marketing expenses	219,710	20	211,479	20
General and administrative expenses	86,062	8	80,198	8
Research and development expenses	58,783	5	66,105	6
Expected credit loss reversed (Notes 4 and 11)	<u>(1,781)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>362,774</u>	<u>33</u>	<u>357,782</u>	<u>34</u>
PROFIT FROM OPERATIONS	<u>260,313</u>	<u>24</u>	<u>233,505</u>	<u>22</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 25)				
Other income	32,898	3	21,048	2
Other gains and losses (Note 32)	4,349	-	(12,048)	(1)
Finance costs	<u>(203)</u>	<u>-</u>	<u>(460)</u>	<u>-</u>
Total non-operating income and expenses	<u>37,044</u>	<u>3</u>	<u>8,540</u>	<u>1</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	297,357	27	242,045	23
INCOME TAX EXPENSE (Notes 4 and 26)	<u>(81,756)</u>	<u>(7)</u>	<u>(46,525)</u>	<u>(4)</u>
NET PROFIT FOR THE YEAR	<u>215,601</u>	<u>20</u>	<u>195,520</u>	<u>19</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Notes 4 and 22)	(230)	-	(300)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 26)	<u>122</u>	<u>-</u>	<u>51</u>	<u>-</u>
	<u>(108)</u>	<u>-</u>	<u>(249)</u>	<u>-</u>

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# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 23)	\$ (5,207)	(1)	\$ (7,485)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4, 23 and 26)	<u>1,530</u> <u>(3,677)</u>	<u>-</u> <u>(1)</u>	<u>1,273</u> <u>(6,212)</u>	<u>-</u> <u>(1)</u>
Other comprehensive loss for the year, net of income tax	<u>(3,785)</u>	<u>(1)</u>	<u>(6,461)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 211,816</u>	<u>19</u>	<u>\$ 189,059</u>	<u>18</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 215,603	20	\$ 195,520	18
Non-controlling interests	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 215,601</u>	<u>20</u>	<u>\$ 195,520</u>	<u>18</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	\$ 211,818	19	\$ 189,059	18
Non-controlling interests	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 211,816</u>	<u>19</u>	<u>\$ 189,059</u>	<u>18</u>
EARNINGS PER SHARE (Note 27)				
Basic	<u>\$ 5.35</u>		<u>\$ 4.84</u>	
Diluted	<u>\$ 5.33</u>		<u>\$ 4.83</u>	

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

(Concluded)



# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Finetek									
						Other Equity	Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations				
Ordinary Shares			Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2017	\$ 384,659	\$ 319,889	\$ 144,280	\$ 12,354	\$ 401,426	\$ (19,659)	\$ -	\$ 1,242,949	\$ -	\$ 1,242,949
Appropriation of 2016 earnings (Note 23)										
Legal reserve	-	-	16,744	-	(16,744)	-	-	-	-	-
Special reserve	-	-	-	7,305	(7,305)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(115,398)	-	-	(115,398)	-	(115,398)
Share dividends distributed by the Company	19,233	-	-	-	(19,233)	-	-	-	-	-
Net profit for the year ended December 31, 2017	-	-	-	-	195,520	-	-	195,520	-	195,520
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(249)	(6,212)	-	(6,461)	-	(6,461)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	195,271	(6,212)	-	189,059	-	189,059
BALANCE AT DECEMBER 31, 2017	403,892	319,889	161,024	19,659	438,017	(25,871)	-	1,316,610	-	1,316,610
Appropriation of 2017 earnings (Note 23)										
Legal reserve	-	-	19,552	-	(19,552)	-	-	-	-	-
Special reserve	-	-	-	6,212	(6,212)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(161,557)	-	-	(161,557)	-	(161,557)
Net profit for the year ended December 31, 2018	-	-	-	-	215,603	-	-	215,603	(2)	215,601
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(108)	(3,677)	-	(3,785)	-	(3,785)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	215,495	(3,677)	-	211,818	(2)	211,816
Buy-back of ordinary shares (Note 23)	-	-	-	-	-	-	(36,973)	(36,973)	-	(36,973)
Change in non-controlling interests (Note 23)	-	-	-	-	-	-	-	-	137	137
BALANCE AT DECEMBER 31, 2018	\$ 403,892	\$ 319,889	\$ 180,576	\$ 25,871	\$ 466,191	\$ (29,548)	\$ (36,973)	\$ 1,329,898	\$ 135	\$ 1,330,033

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

# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 297,357	\$ 242,045
Adjustments for:		
Expected credit loss reversed on trade receivables	(1,781)	-
Impairment loss reversed on trade receivables	-	(4,681)
Depreciation expenses	34,513	34,740
Amortization expenses	11,427	13,656
Net loss on fair value changes of financial assets designated as at fair value through profit or loss	-	3
Finance costs	203	460
Interest income	(9,209)	(6,797)
Dividend income	-	(45)
(Gain) loss on disposal of property, plant and equipment	(80)	608
Prepayments for equipment transferred to expenses	-	47
Write-downs of inventories	10,837	867
Net (gain) loss on foreign currency exchange	(4,047)	4,758
Amortization of prepayments for leases	182	180
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,286	-
Notes receivable	5,283	(3,858)
Trade receivables	7,395	(11,388)
Other receivables	(711)	(71)
Inventories	(14,198)	(37,904)
Other current assets	1,983	431
Other non-current assets	(281)	1,846
Contract liabilities	7,174	-
Notes payable	(317)	(2,314)
Trade payables	(7,472)	9,424
Other payables	10,469	5,649
Other current liabilities	192	(910)
Cash generated from operations	350,205	246,746
Interest received	9,039	6,577
Dividends received	-	45
Interest paid	(203)	(460)
Income tax paid	(59,947)	(35,562)
Net cash generated from operating activities	<u>299,094</u>	<u>217,346</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	-	(46,232)
Acquisition of subsidiaries	-	(3,435)
Payments for property, plant and equipment	(32,423)	(13,706)
Proceeds from disposal of property, plant and equipment	1,336	1,428
Increase in refundable deposits	(3,130)	-

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# FINETEK CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
Decrease in refundable deposits	\$ 198	\$ 282
Payments for intangible assets	(6,981)	(6,611)
Increase in other financial assets	-	(4,834)
Decrease in other financial assets	49,048	-
Increase in prepayments for equipment	<u>(304)</u>	<u>(774)</u>
Net cash generated from (used in) investing activities	<u>7,744</u>	<u>(73,882)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	15,000
Repayments of short-term borrowings	(15,000)	(20,000)
Repayments of long-term borrowings	(1,843)	(1,517)
Proceeds of guarantee deposits received	1,012	-
Refunds of guarantee deposits received	(708)	(211)
Dividends paid to owners of the Finetek	(161,557)	(115,398)
Payments for buy-back of ordinary shares	(36,973)	-
Change in non-controlling interests	<u>137</u>	<u>-</u>
Net cash used in financing activities	<u>(214,932)</u>	<u>(122,126)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>777</u>	<u>(12,935)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	92,683	8,403
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>474,012</u>	<u>465,609</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 566,695</u>	<u>\$ 474,012</u>

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

(Concluded)

# **FINETEK CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

FineTek Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) on January 30, 2003. The Company mainly designs, manufactures and sells transmitters, point switches and electronic terminals.

The Company’s shares have been listed on the Taipei Exchange (“TPEX”) Mainboard since November 2014.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were approved by the Board of Directors on March 15, 2019.

### **3. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS**

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of FineTek Co., Ltd. and its subsidiaries (the “Group”):

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

#### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Amortized cost	\$ 474,012	\$ 474,012	a)
Equity securities	Available-for-sale	Mandatorily at FVTPL	56	56	-
Debt securities	Held-to-maturity	Amortized cost	11,907	11,907	b)
Debt investments with no active market - current	Loans and receivables	Amortized cost	55,555	55,555	a)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	205,168	205,168	a)
Other financial assets - current	Loans and receivables	Amortized cost	4,951	4,951	a)
Refundable deposits	Loans and receivables	Amortized cost	1,295	1,295	a)

  

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi- cations	Remea- surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Amortized cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Add: Reclassification from held-to-maturity (IAS 39)	-	11,907	-	11,907	-	-	b)
Add: Reclassification from loans and receivables (IAS 39)	-	740,981	-	740,981	-	-	a)
	<u>\$ -</u>	<u>\$ 752,888</u>	<u>\$ -</u>	<u>\$ 752,888</u>	<u>\$ -</u>	<u>\$ -</u>	

- a) Cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.
- b) Debt securities previously classified as at held-to-maturity under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

## 2) IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue - related interpretations. Refer to Note 4 for related accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	Adjustments Arising from Initial Application	Restated
Contract liabilities - current	\$ -	\$ 11,222	\$ 11,222
Other current liabilities	11,657	<u>(11,222)</u>	435
Total effect on liabilities		<u>\$ -</u>	

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15:

Impact on assets, liabilities and equity for current year

	<b>December 31, 2018</b>
Increase in contract liabilities - current	\$ 18,396
Decrease in other current liabilities	<u>(18,396)</u>
	<u>\$ -</u>

The Group elects to recognize the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to assets, liabilities and equity on January 1, 2018, and the adjustments are summarized below:

	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
Financial assets at amortized cost - non-current	\$ -	\$ 11,907	\$ 11,907
Held-to-maturity financial assets - non-current	11,907	<u>(11,907)</u>	-
Total effect on assets		<u>\$ -</u>	
Contract liabilities - current	-	\$ 11,222	11,222
Other current liabilities	11,657	<u>(11,222)</u>	435
Total effect on liabilities		<u>\$ -</u>	

Had the Group applied IAS 39 and IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 9 and IFRS 15.

Impact on assets, liabilities and equity for current year

	<b>December 31, 2018</b>
Decrease in held-to-maturity financial assets - non-current	\$ (12,289)
Increase in financial assets at amortized cost - non-current	<u>12,289</u>
Total effect on assets	<u>\$ -</u>
Increase in contract liabilities - current	\$ 18,396
Decrease in other liabilities - current	<u>(18,396)</u>
Total effect on liabilities	<u>\$ -</u>

Had the Group applied IAS 39 and IAS 18 in the current year, there is no impact on the consolidated income statement and the consolidated statements of cash flows items in 2018.

- b. Amendments to the IFRSs endorsed by the FSC for application starting from 2019

<b>New, Amended or Revised Standards and Interpretations (the “New IFRSs”)</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

- IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC 4 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, are recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in mainland China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated financial statements of cash flows.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- 1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Other current assets	\$ 7,397	\$ (1,373)	\$ 6,024
Prepayments for leases - non-current	5,849	(5,849)	-
Right-of-use assets	-	<u>11,895</u>	11,895
Total effect on assets		<u>\$ 4,673</u>	
Lease liabilities - current	-	\$ 2,480	2,480
Lease liabilities - non-current	-	<u>2,193</u>	2,193
Total effect on liabilities		<u>\$ 4,673</u>	

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assesses that the application of other standards and interpretations will not have any material impact on its financial position and financial performance.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.



Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language consolidated financial statements shall prevail. However, the consolidated financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the Financial Supervisory Commission (FSC) for oversight purposes.

##### **a. Statement of compliance**

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### **b. Basis of preparation**

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments and net defined benefit assets which are measured at present value of the defined benefit obligation less the fair value of plan assets that are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 on the basis of the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

##### **c. Classification of current and non-current assets and liabilities**

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents, unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13 for more information on subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising from the settlement or translation of monetary items are recognized in profit or loss in the period.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currency of the Company and the Group entities (including subsidiaries in other countries that use currency different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

f. Inventories

Inventories, which consist of raw materials, finished goods, work-in-process, and merchandise are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating units to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generated units was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating units is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generated units and the entity disposes of an operation within that unit, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generated units retained.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on prospectively basis. Intangible assets with indefinite useful lives are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generated units to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generated units is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generated units is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating units is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating units in prior years. The reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, notes receivables, trade receivables, other receivables (not including tax refundable), other financial assets - current, financial assets at amortized - non-current and refundable deposits are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## 2017

Financial assets are classified into the following categories: Financial assets at FVTPL, held-to-maturity investments and loans and receivables.

### i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are either held for trading.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

### ii. Held-to-maturity investments

Foreign bank bonds, which have credit ratings above a specific credit rating and which the Group has a positive intent and ability to hold to maturity, are classified as held-to-maturity investments.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment.

### iii. Loans and receivables

Loans and receivables (including cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalents include time deposits that have original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

## b) Impairment of financial assets

## 2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including notes receivable, trade receivables, other receivables, other financial assets - current, financial assets at amortized cost - non-current and refundable deposits).

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for notes receivable and trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

## 2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as notes receivable, trade receivables, and other receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables, and other situations.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.

For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of notes receivable and trade receivables, where the carrying amount is reduced through the use of an allowance account. When notes receivable and trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible notes receivable and trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

1. Revenue recognition

2018

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of transmitters, point switches and electronic terminals. Sales of transmitters, point switches and electronic terminals are recognized as revenue when the goods are delivered to the customer's specific location/the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the product repairmen.

As the Group provides product repairmen services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.



1) Revenue from the sale of goods

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

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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 Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve the transfer of risks and rewards of the materials' ownership.

2) Rendering of services

Service income is recognized when services are provided.

3) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the applicable effective interest rate.

m. Leasing

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

n. Borrowing costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the period in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized on short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to a defined contribution retirement benefit plan are recognized as an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service costs, net interest and remeasurement) under the defined contribution retirement benefit plan are determined using the projected unit credit method. Service costs, including current service costs, and net interest on the net defined benefit liability (asset) are recognized as employee benefits expenses in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plan or reductions in future contributions to the plan.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve the retention of earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any previously unrecognized deferred tax assets are also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply to the period in which the liabilities are settled or the assets are realized, based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences of 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.

### 3) Current and deferred tax for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of trade receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 1,161	\$ 1,299
Checking accounts	1,774	833
Demand deposits	305,759	192,250
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>258,001</u>	<u>279,630</u>
	<u>\$ 566,695</u>	<u>\$ 474,012</u>

The market rates for cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Bank balance	0.001%-4.00%	0.01%-1.90%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Financial assets at FVTPL - current</u>		
Financial assets held for trading		
Non-derivative financial assets		
Domestic quoted shares	<u>\$ -</u>	<u>\$ 56</u>

## 8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	<b>December 31, 2018</b>
<u>Non-current</u>	
Foreign investment	
Corporation bonds - Deutsche Bank	\$ 6,153
Corporate bonds - Société Générale	<u>6,136</u>
	<u>\$ 12,289</u>

- a. The Group's investments in bonds issued by Deutsche Bank were as follows:

	<b>December 31, 2018</b>
Total book value	\$ <u>6,153</u>
Total par value (in thousand U.S. dollars)	\$ <u>200</u>
Coupon rates	4.50%
Effective interest rates	4.47%
Holding period	2015.10.21- 2025.04.01

- b. The Group's investments in bonds issued by Société Générale were as follows:

	<b>December 31, 2018</b>
Total book value	\$ <u>6,136</u>
Total par value (in thousand U.S. dollars)	\$ <u>200</u>
Coupon rates	4.25%
Effective interest rates	4.27%
Holding period	2015.10.21- 2025.4.14

The Group only invests in debt instruments that are rated the equivalent of investment grade or higher and have low credit risk for the purpose of impairment assessment. The credit rating information is supplied by independent rating agencies. The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date. As of December 31, 2018, the Group has no need to recognize expected credit losses on debt investments.

Note: The debt investments were classified as held-to-maturity financial assets under IAS 39. Refer to Note 9 for the information for 2017.

## 9. HELD-TO-MATURITY FINANCIAL ASSETS - 2017

	<b>December 31, 2017</b>
<u>Non-current</u>	
Foreign investments	
Corporation bonds - Deutsche Bank	\$ 5,963
Corporation bonds - Société Générale	<u>5,944</u>
	<u>\$ 11,907</u>

- a. The Group's investments in bonds issued by Deutsche Bank were as follows:

	<b>December 31, 2017</b>
Total book value	\$ <u>5,963</u>
Total par value (in thousand U.S. dollars)	\$ <u>200</u>
Coupon rates	4.50%
Effective interest rates	4.47%
Holding period	2015.10.21- 2025.04.01

- b. The Group's investments in bonds issued by Société Générale were as follows:

	<b>December 31, 2017</b>
Total book value	\$ <u>5,944</u>
Total par value (in thousand U.S. dollars)	\$ <u>200</u>
Coupon rates	4.25%
Effective interest rates	4.27%
Holding period	2015.10.21- 2025.04.14

#### 10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	<b>December 31, 2017</b>
<u>Current</u>	
Time deposits with original maturities of more than 3 months	\$ <u>55,555</u>

As of December 31, 2017, the market interest rates of the time deposits with original maturities of more than 3 months was 0.65%-1.55% per annum.

#### 11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 41,047	\$ 46,330
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 41,047</u>	<u>\$ 46,330</u>
Notes receivable - operating	<u>\$ 41,047</u>	<u>\$ 46,330</u>

(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 158,160	\$ 165,563
Less: Allowance for impairment loss	<u>(6,284)</u>	<u>(8,658)</u>
	<u>\$ 151,876</u>	<u>\$ 156,905</u>
<u>Other receivables</u>		
Receivable from disposal of investments	\$ -	\$ 1,230
Interest receivables	642	472
Tax refund receivable	603	-
Others	<u>339</u>	<u>231</u>
	<u>\$ 1,584</u>	<u>\$ 1,933</u>
<u>Overdue receivables</u>		
At amortized cost		
Gross carrying amount	\$ 1,606	\$ 2,329
Less: Allowance for impairment loss	<u>(1,606)</u>	<u>(2,329)</u>
	<u>\$ -</u>	<u>\$ -</u>
		(Concluded)

a. Notes receivable

In 2018

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all notes receivable. The expected credit losses on notes receivable are referred by past default experience of the debtor and general economic conditions of the industry. As of December 31, 2018, the Group has no need to recognize expected credit losses on note receivables.

In 2017

The Group transacts with a large number of unrelated customers and, thus, no concentration of credit risk was observed. As of December 31, 2017, the Group did not hold any collateral for the balance of its notes receivable.

The aging of receivables was as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Up to 90 days	\$ 29,320	\$ 31,860
91 to 180 days	11,503	14,470
181 to 270 days	<u>224</u>	<u>-</u>
	<u>\$ 41,047</u>	<u>\$ 46,330</u>

The above aging schedule was based on the number of past due days from the invoice date.

b. Trade receivables

In 2018

The average credit period of sales of goods was 0-150 days.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor an analysis of the debtor's current financial position. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables (including overdue receivables) based on the Group's provision matrix.

December 31, 2018

	Not Past Due	Less than 90 Days	91 to 180 Days	181 to 270 Days	271 to 360 Days	Over 360 Days	Total
Expected credit loss rate	1.12%	3.41%	14.42%	32.59%	68.85%	100%	
Gross carrying amount	\$ 122,345	\$ 27,778	\$ 2,143	\$ 3,200	\$ 244	\$ 4,056	\$ 159,766
Loss allowance (Lifetime ECL)	<u>(1,366)</u>	<u>(948)</u>	<u>(309)</u>	<u>(1,043)</u>	<u>(168)</u>	<u>(4,056)</u>	<u>(7,890)</u>
Amortized cost	<u>\$ 120,979</u>	<u>\$ 26,830</u>	<u>\$ 1,834</u>	<u>\$ 2,157</u>	<u>\$ 76</u>	<u>\$ -</u>	<u>\$ 151,876</u>

The movements of the loss allowance of trade receivables (including overdue receivables) were as follows:

	2018
Balance at January 1, 2018 per IAS 39	\$ 10,987
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	10,987
Less: Amounts written off	(1,274)
Less: Net remeasurement of loss allowance	(1,781)
Foreign exchange gains and losses	<u>(42)</u>
Balance at December 31, 2018	<u>\$ 7,890</u>



### In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the collectability of a trade receivable, the Group considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Group recognized an allowance for impairment loss of 100% against all trade receivables over 360 days because historical experience shows that receivables outstanding beyond 360 days are not recoverable. For receivables outstanding between 1 to 360 days, the Group estimated the irrecoverable amount based on the past defaults of a counterparty and an analysis of the current financial position of the counterparty. As of December 31, 2017, the aging of receivables that were past due but not impaired were both \$0 thousand.

For some trade receivables balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables (including overdue receivables) were as follows:

	<b>December 31, 2017</b>
Not overdue	\$ 125,152
Overdue 1-30 days	20,851
Overdue 31-60 days	7,460
Overdue beyond 60 days	<u>14,429</u>
	<u>\$ 167,892</u>

The above aging schedule was based on the number of past due days from the end of the credit term.

The movements of the allowance for doubtful trade receivables (including overdue receivables) were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 4,176	\$ 12,841	\$ 17,017
Less: Amounts written off during the year as uncollectible	-	(1,130)	(1,130)
Less: Impairment losses reversed	(1,758)	(2,923)	(4,681)
Foreign exchange translation gains and losses	<u>(89)</u>	<u>(130)</u>	<u>(219)</u>
Balance at December 31, 2017	<u>\$ 2,329</u>	<u>\$ 8,658</u>	<u>\$ 10,987</u>

The Group recognized an impairment loss on trade receivables amounting to \$2,329 thousand as of December 31, 2017. These amounts mainly related to customers that were in the process of liquidation (or in severe financial difficulties). The Group did not hold any collateral over these balances.

c. Other receivables

In 2018

Other receivables consisted of interest receivable and tax refund receivable and so on. The Group applied the policy only with good credit traders. The Group continued to trace and refer to past default experience of counterparties and analyzed their current financial position in order to evaluate whether there was a significant increase in credit risk or expected credit loss. As of December 31, 2018, the Group has no need to recognize expected credit loss on other receivables.

In 2017

Other receivables consisted of receivable from disposal of investments and interest receivable and so on. Based on historical experience, past transactions with counterparties, and reviews of the financial situations of counterparties, the Group determined that there would be no overdue payments. Thus, there is no bad debt existing.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Merchandise inventory	\$ 6,792	\$ 8,333
Finished goods	126,848	103,896
Work-in-progress	18,915	19,994
Raw materials	<u>66,576</u>	<u>83,547</u>
	<u><b>\$ 219,131</b></u>	<u><b>\$ 215,770</b></u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$470,951 thousand and \$469,369 thousand, respectively. The cost of goods sold included inventory write-downs of \$10,837 thousand and \$867 thousand, respectively.

## 13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
FineTek Co., Ltd.	Powerline Corp. (SAMOA)	Investment	100.00	100.00	Note 1
	Golden Land International Corp. (SAMOA)	Investment	100.00	100.00	Note 1
	Gain Access Investment Ltd.	Investment	100.00	100.00	Note 1
	PT. Finetek Automation Indonesia	Manufactures and sells transmitters, point switches and electronic terminals	99.65	-	Note 3
Golden Land International Corp. (SAMOA)	Aplus Finetek Sensor Inc.	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1
Gain Access Investments Ltd.	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	90.00	90.00	Note 1
Powerline Corp. (SAMOA)	Faco International Co., Ltd.	Investment	100.00	100.00	Note 1
(Continued)					

(Continued)

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			December 31		
			2018	2017	
Faco International Co., Ltd.	Fine Automation Co., Ltd.	Designs, manufactures and sells transmitters, point switches and electronic terminals	100.00	100.00	Note 2
	Finetek Pte., Ltd.	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1
	Finetek GmbH	Sells operating transmitters, point switches and electronic terminals	10.00	10.00	Note 1
Finetek GmbH	Mutec Instruments GmbH	Sells operating transmitters, point switches and electronic terminals	100.00	100.00	Note 1

(Concluded)

Note 1: The main operation risk is foreign exchange rate risk.

Note 2: The main operation risks are government policies, political issues between China and Taiwan, and foreign exchange rate risk.

Note 3: The Company's board of directors on December 2017 decided to invest in PT. Finetek Automation Indonesia. As of December 31, 2018, the Company invested the amount of US\$1,287 thousand (NT\$38,998 thousand). The main operation risks are government policies risk and foreign exchange rate risk.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation	Office Equipment	Molding Equipment	Other Equipment	Construction in Progress	Total
<b>Cost</b>									
Balance at January 1, 2017	\$ 151,512	\$ 390,866	\$ 52,135	\$ 20,478	\$ 21,459	\$ 16,361	\$ 36,926	\$ 721	\$ 690,458
Additions	-	267	7,114	1,098	1,631	2,235	1,902	280	14,527
Disposals	-	(964)	(16)	(441)	(5,383)	(1,847)	(2,109)	-	(10,760)
Reclassified (Note 1)	-	986	535	-	-	-	-	(986)	535
Effects of foreign currency exchange differences	466	(2,570)	(165)	(40)	(166)	-	(114)	(15)	(2,604)
Balance at December 31, 2017	<u>\$ 151,978</u>	<u>\$ 388,585</u>	<u>\$ 59,603</u>	<u>\$ 21,095</u>	<u>\$ 17,541</u>	<u>\$ 16,749</u>	<u>\$ 36,605</u>	<u>\$ -</u>	<u>\$ 692,156</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2017	\$ -	\$ 101,275	\$ 24,421	\$ 14,165	\$ 16,787	\$ 11,118	\$ 27,104	\$ -	\$ 194,870
Disposals	-	(184)	(16)	(436)	(5,383)	(596)	(2,109)	-	(8,724)
Depreciation expenses	-	14,681	7,715	1,984	2,891	3,708	3,761	-	34,740
Effects of foreign currency exchange differences	-	(927)	(162)	(142)	(122)	-	(82)	-	(1,435)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 114,845</u>	<u>\$ 31,958</u>	<u>\$ 15,571</u>	<u>\$ 14,173</u>	<u>\$ 14,230</u>	<u>\$ 28,674</u>	<u>\$ -</u>	<u>\$ 219,451</u>
Carrying amounts at December 31, 2017	<u>\$ 151,978</u>	<u>\$ 273,740</u>	<u>\$ 27,645</u>	<u>\$ 5,524</u>	<u>\$ 3,368</u>	<u>\$ 2,519</u>	<u>\$ 7,931</u>	<u>\$ -</u>	<u>\$ 472,705</u>
<b>Cost</b>									
Balance at January 1, 2018	\$ 151,978	\$ 388,585	\$ 59,603	\$ 21,095	\$ 17,541	\$ 16,749	\$ 36,605	\$ -	\$ 692,156
Additions	-	193	4,537	1,585	834	1,735	4,000	18,847	31,731
Disposals	-	-	(2,291)	(1,379)	(959)	(357)	(761)	-	(5,747)
Reclassified (Note 2)	-	3,161	(3,342)	-	(1,297)	-	2,237	-	759
Effects of foreign currency exchange differences	(103)	(2,948)	(156)	(83)	(155)	-	(135)	-	(3,580)
Balance at December 31, 2018	<u>\$ 151,875</u>	<u>\$ 388,991</u>	<u>\$ 58,351</u>	<u>\$ 21,218</u>	<u>\$ 15,964</u>	<u>\$ 18,127</u>	<u>\$ 41,946</u>	<u>\$ 18,847</u>	<u>\$ 715,319</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	\$ -	\$ 114,845	\$ 31,958	\$ 15,571	\$ 14,173	\$ 14,230	\$ 28,674	\$ -	\$ 219,451
Disposals	-	-	(1,795)	(1,375)	(952)	(30)	(339)	-	(4,491)
Depreciation expenses	-	16,069	8,823	2,224	1,925	2,162	3,310	-	34,513
Reclassified	-	2,009	(1,301)	-	(1,206)	-	498	-	-
Effects of foreign currency exchange differences	-	(1,258)	(121)	(87)	(143)	-	(85)	-	(1,694)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 131,665</u>	<u>\$ 37,564</u>	<u>\$ 16,333</u>	<u>\$ 13,797</u>	<u>\$ 16,362</u>	<u>\$ 32,058</u>	<u>\$ -</u>	<u>\$ 247,779</u>
Carrying amounts at December 31, 2018	<u>\$ 151,875</u>	<u>\$ 257,326</u>	<u>\$ 20,787</u>	<u>\$ 4,885</u>	<u>\$ 2,167</u>	<u>\$ 1,765</u>	<u>\$ 9,888</u>	<u>\$ 18,847</u>	<u>\$ 467,540</u>

Note 1: Transferred from prepayment of equipment and prepayment were \$510 thousand and \$25 thousand, respectively.

Note 2: Transferred from prepayments for equipment.

For the years ended December 31, 2018 and 2017, no impairment assessment were performed as there were no indications of impairment.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	
Main buildings	33-35 years
Accessory equipment	2-20 years
Machinery and equipment	1-10 years
Transportation	3-5 years
Office equipment	1-5 years
Molding equipment	1-4 years
Other equipment	1-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

## 15. GOODWILL

	<b><u>For the Year Ended December 31</u></b>	
	<b>2018</b>	<b>2017</b>
<u>Cost</u>		
Balance at January 1	\$ 39,078	\$ 37,271
Effect of foreign currency exchange differences	<u>(347)</u>	<u>1,807</u>
Balance at December 31	<u>\$ 38,731</u>	<u>\$ 39,078</u>

For the years ended December 31, 2018 and 2017, no impairment assessment were performed as there were no indications of impairment on goodwill.

## 16. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>	<b>Licenses and Franchises</b>	<b>Specialized Technology</b>	<b>Total</b>
<u>Cost</u>				
Balance at January 1, 2017	\$ 44,052	\$ 750	\$ 29,696	\$ 74,498
Additions	6,611	-	-	6,611
Disposals	(16,956)	-	-	(16,956)
Reclassified (Note)	456	-	-	465
Effects of foreign currency exchange differences	<u>57</u>	<u>-</u>	<u>1,463</u>	<u>1,520</u>
Balance at December 31, 2017	<u>\$ 34,229</u>	<u>\$ 750</u>	<u>\$ 31,159</u>	<u>\$ 66,138</u>

(Continued)

	<b>Computer Software</b>	<b>Licenses and Franchises</b>	<b>Specialized Technology</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2017	\$ 20,091	\$ 60	\$ 495	\$ 20,646
Amortization expenses	10,622	26	3,008	13,656
Disposals	(16,956)	-	-	(16,956)
Effects of foreign currency exchange differences	<u>51</u>	<u>-</u>	<u>131</u>	<u>182</u>
Balance at December 31, 2017	<u>\$ 13,808</u>	<u>\$ 86</u>	<u>\$ 3,634</u>	<u>\$ 17,528</u>
Carrying amounts at December 31, 2017	<u>\$ 20,421</u>	<u>\$ 664</u>	<u>\$ 27,525</u>	<u>\$ 48,610</u>
<u>Cost</u>				
Balance at January 1, 2018	\$ 34,229	\$ 750	\$ 31,159	\$ 66,138
Additions	6,981	-	-	6,981
Disposals	(165)	-	-	(165)
Effects of foreign currency exchange differences	<u>(13)</u>	<u>-</u>	<u>(324)</u>	<u>(337)</u>
Balance at December 31, 2018	<u>\$ 41,032</u>	<u>\$ 750</u>	<u>\$ 30,835</u>	<u>\$ 72,617</u>
<u>Accumulated amortization and impairment</u>				
Balance at January 1, 2018	\$ 13,808	\$ 86	\$ 3,634	\$ 17,528
Amortization expenses	8,282	24	3,121	11,427
Disposals	(165)	-	-	(165)
Effects of foreign currency exchange differences	<u>(12)</u>	<u>-</u>	<u>(73)</u>	<u>(85)</u>
Balance at December 31, 2018	<u>\$ 21,913</u>	<u>\$ 110</u>	<u>\$ 6,682</u>	<u>\$ 28,705</u>
Carrying amounts at December 31, 2018	<u>\$ 19,119</u>	<u>\$ 640</u>	<u>\$ 24,153</u>	<u>\$ 43,912</u> (Concluded)

Note: Transferred from prepayment for equipment.

Other intangible assets were amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Licenses and franchises	29 years
Specialized Technology	10 years

An analysis of amortization by function:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ 1,410	\$ 1,463
Selling and marketing expenses	4,683	4,740
General and administrative expenses	3,814	5,797
Research and development expenses	<u>1,520</u>	<u>1,656</u>
	<u>\$ 11,427</u>	<u>\$ 13,656</u>

## 17. PREPAYMENTS FOR LEASES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current assets (included in prepayments)	\$ 179	\$ 182
Non-current assets	<u>5,849</u>	<u>6,134</u>
	<u>\$ 6,028</u>	<u>\$ 6,316</u>

Prepayments for leases comprises land use rights in mainland China. The Group has obtained the land use right certificates.

## 18. OTHER ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Prepayments	\$ 5,191	\$ 7,370
Prepayments for leases	179	182
Others	<u>2,027</u>	<u>1,831</u>
	<u>\$ 7,397</u>	<u>\$ 9,383</u>
<u>Other financial assets - current</u>		
Pledged bank deposits (Note 33) (Note)	<u>\$ 11,458</u>	<u>\$ 4,951</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 319	\$ 774
Refundable deposits (Note)	4,227	1,295
Net defined benefit assets (Note 22)	<u>565</u>	<u>870</u>
	<u>\$ 5,111</u>	<u>\$ 2,939</u>

Note: The Group considers the past default experience of the debtor and an analysis of the debtor's current financial position to measure 12-month or lifetime expected credit losses on other financial assets and refundable deposits. As of December 31, 2018, the Group has no need to recognize expected credit loss on other financial assets and refundable deposits.

## 19. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings (Note)	\$ <u>3,837</u>	\$ <u>18,877</u>

Note: The interest rate on line of credit borrowings was 1.40% and 1.25%-1.31% per annum as of December 31, 2018 and 2017, respectively.

### b. Long-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Secured borrowings</u>		
Bank loans (Note)	\$ 1,318	\$ 3,173
Less: Current portions	<u>(1,318)</u>	<u>(1,963)</u>
Long-term borrowings	\$ <u>-</u>	\$ <u>1,210</u>

Note: The Group used land and buildings as collateral to acquire a loan from the bank (Note 33). The loan will mature on September 30, 2019 and the interest rate is 5.21% over a 17-year period of time.

## 20. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes payable</u>		
Operating	\$ <u>6,460</u>	\$ <u>6,777</u>
<u>Trade payables</u>		
Operating	\$ <u>56,148</u>	\$ <u>63,620</u>

## 21. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payable for salaries and bonuses	\$ 45,264	\$ 32,361
Payable for employee compensation	9,000	9,165
Payable for remuneration of directors and supervisors	4,320	4,240
Payable for labor and health insurance	3,439	3,661
Payable for sales tax	5,351	4,287
Payable for purchase of equipment (Note 28)	446	1,138
Payable for retirement	1,906	2,014
Payable for annual leaves	292	326
Others	<u>14,112</u>	<u>17,161</u>
	<u>\$ 84,130</u>	<u>\$ 74,353</u>
Other liabilities		
Advance sales receipts	\$ -	\$ 11,222
Others	<u>627</u>	<u>435</u>
	<u>\$ 627</u>	<u>\$ 11,657</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 1,077</u>	<u>\$ 793</u>

## 22. RETIREMENT BENEFIT PLANS

### a. Defined contribution plan

The Company adopted a pension plan under the Labor Pension Act (the “LPA”), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees’ individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiaries in China are required to contribute amounts calculated at a certain percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. An entity makes monthly contributions by other group entities are based on local laws.

### b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The



pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Company has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Company’s defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Present value of defined benefit obligation	\$ 5,014	\$ 4,490
Fair value of plan assets	<u>(5,579)</u>	<u>(5,360)</u>
Net defined benefit assets	<u>\$ (565)</u>	<u>\$ (870)</u>

Movements in net defined benefit liability (asset) were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2017	\$ 4,271	\$ (5,440)	\$ (1,169)
Service costs			
Current service costs	16	-	16
Net interest expense (income)	<u>64</u>	<u>(81)</u>	<u>(17)</u>
Recognized in profit or loss	<u>80</u>	<u>(81)</u>	<u>(1)</u>
Remeasurement			
Return on plan assets	-	29	29
Actuarial loss - changes in financial assumptions	152	-	152
Actuarial loss - experience adjustments	<u>119</u>	<u>-</u>	<u>119</u>
Recognized in other comprehensive income	<u>271</u>	<u>29</u>	<u>300</u>
Benefits paid	<u>(132)</u>	<u>132</u>	<u>-</u>
Balance at December 31, 2017	4,490	(5,360)	(870)
Service costs			
Current service costs	87	-	87
Net interest expense (income)	<u>61</u>	<u>(73)</u>	<u>(12)</u>
Recognized in profit or loss	<u>148</u>	<u>(73)</u>	<u>75</u>
Remeasurement			
Return on plan assets	-	(146)	(146)
Actuarial loss - changes in financial assumptions	69	-	69
Actuarial loss - experience adjustments	<u>307</u>	<u>-</u>	<u>307</u>
Recognized in other comprehensive income	<u>376</u>	<u>(146)</u>	<u>230</u>
Balance at December 31, 2018	<u>\$ 5,014</u>	<u>\$ (5,579)</u>	<u>\$ (565)</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plan is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Operating costs	\$ -	\$ -
General and administrative expenses	<u>75</u>	<u>(1)</u>
	<u>\$ 75</u>	<u>\$ (1)</u>

Through the defined benefit plans under the Labor Standards Law, the Company is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in both domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government and corporate bond interest rates will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)	1.25%	1.35%
Expected rate(s) of salary increase	2.75%	2.75%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Discount rate(s)		
0.25% increase	\$ (169)	\$ (152)
0.25% decrease	<u>\$ 177</u>	<u>\$ 159</u>
Expected rate(s) of salary increase		
1% increase	\$ 739	\$ 663
1% decrease	<u>\$ (632)</u>	<u>\$ (569)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
The expected contributions to the plan for the next year	\$ <u>-</u>	\$ <u>-</u>
The average duration of the defined benefit obligation	14 years	15 years

## 23. EQUITY

### a. Share capital

	<b>December 31</b>	
<u>Ordinary shares</u>	<b>2018</b>	<b>2017</b>
Number of shares authorized (in thousands)	<u>62,000</u>	<u>62,000</u>
Shares authorized	<u>\$ 620,000</u>	<u>\$ 620,000</u>
Number of shares issued and fully paid (in thousands)	<u>40,389</u>	<u>40,389</u>
Shares issued	<u>\$ 403,892</u>	<u>\$ 403,892</u>

In the shareholders' meeting on June 2, 2017, the Company's shareholders approved the transfer of retained earnings of \$19,233 thousand to issue new shares with a par value of NT\$10 and paid-in capital \$403,892 thousand. The above transaction was approved by the FSC on July 18, 2017, and the subscription base date was determined on September 4, 2017 by the Company's board of directors.

### b. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)</u>		
Premium from issuance of ordinary shares	\$ 316,818	\$ 316,818
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	34	34
<u>May be used to offset a deficit only</u>		
Arising from invalid employee shares options	<u>3,037</u>	<u>3,037</u>
	<u>\$ 319,889</u>	<u>\$ 319,889</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors, refer to compensation and remuneration of directors and supervisors in Note 25,f.

In accordance with the amendments to the Company Act, the distribution of dividends may be made by way of cash dividends or share dividends, where the ratio of the cash dividends shall not be less than 10% of the total shareholders' dividends.

A legal reserve should be 10% appropriated from earnings until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any deficits. If the Company has no deficit and the legal reserve exceeds 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Items referred to under Rule No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" shall be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for the 2017 and 2016 were approved in the shareholders' meetings on June 19, 2018 and June 2, 2017, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Legal reserve	\$ 19,552	\$ 16,744	\$ -	\$ -
Special reserve	6,212	7,305	-	-
Cash dividends	161,557	115,398	4.0	3.0
Share dividends	-	19,233	-	0.5

The appropriation of earnings for the 2018 had been proposed by the Company's board of directors on March 15, 2019. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 21,560	\$ -
Special reserve	3,677	-
Cash dividends	159,557	4.0
Share dividends	19,945	0.5

The appropriation of earnings for the 2018 are subject to the resolution of the shareholders' meeting to be held on June 10, 2019.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ 19,659	\$ 12,354
Appropriation in respect of:		
Reversal of the debit to other equity items	<u>6,212</u>	<u>7,305</u>
Balance at December 31	<u>\$ 25,871</u>	<u>\$ 19,659</u>

e. Other equity items

Exchange differences on translating the financial statements for foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (25,871)	\$ (19,659)
Effect of change in tax rate	488	-
Recognized for the year		
Exchange differences on translating foreign operations	(5,207)	(7,485)
Income tax related to exchange differences arising on translating to the presentation currency	<u>1,042</u>	<u>1,273</u>
Balance at December 31	<u>\$ (29,548)</u>	<u>\$ (25,871)</u>

f. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ -	\$ -
Acquisition of non-controlling interests in subsidiaries	137	-
Share in loss for the year	<u>(2)</u>	<u>-</u>
Balance at December 31	<u>\$ 135</u>	<u>\$ -</u>

g. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2018	-
Increase during the year	<u>500</u>
Number of shares at December 31, 2018	<u>500</u>

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

## 24. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from sale of goods	\$ 1,091,556	\$ 1,058,120
Revenue from rendering of services	<u>2,482</u>	<u>2,536</u>
	<u>\$ 1,094,038</u>	<u>\$ 1,060,656</u>

### Contract Balances

	<b>December 31, 2018</b>
Contract assets	
Note receivables (Note 11)	\$ 41,047
Trade receivables (Note 11)	<u>151,876</u>
	<u>\$ 192,923</u>
Contract liabilities - current	
Sales of goods	<u>\$ 18,396</u>

The changes in the balance of contract liabilities primarily result from the timing difference between the Group's performance and the respective customer's payment.

Revenue of the reporting period recognized from the beginning contract liabilities are as follows:

	<b>For the Year Ended December 31, 2018</b>
<u>From the beginning contract liabilities</u>	
Sale of goods	<u>\$ 9,891</u>

## 25. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Rental income	\$ 6,452	\$ -
Interest income	9,209	6,797
Dividends	-	45
Government grants income	14,817	11,492
Others	<u>2,420</u>	<u>2,714</u>
	<u>\$ 32,898</u>	<u>\$ 21,048</u>

b. Other gains and (losses)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gain (loss) on disposal of property, plant and equipment	\$ 80	\$ (608)
Net foreign exchange losses	(470)	(14,074)
Net loss arising on financial assets held for trading	-	(3)
Receipts of payments under custody	5,046	3,153
Others	<u>(307)</u>	<u>(516)</u>
	<u>\$ 4,349</u>	<u>\$ (12,048)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on loans	<u>\$ (203)</u>	<u>\$ (460)</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
An analysis of depreciation by function		
Operating costs	\$ 20,272	\$ 21,217
Operating expenses	<u>14,241</u>	<u>13,523</u>
	<u>\$ 34,513</u>	<u>\$ 34,740</u>
An analysis of amortization by function		
Operating costs	\$ 1,410	\$ 1,463
Operating expenses	<u>10,017</u>	<u>12,193</u>
	<u>\$ 11,427</u>	<u>\$ 13,656</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term benefits	\$ 258,506	\$ 252,564
Post-employment benefits		
Defined contribution plans	17,100	14,700
Defined benefit plans (Note 22)	75	(1)
Other employee benefits	<u>44,353</u>	<u>41,401</u>
Total employee benefits expense	<u>\$ 320,034</u>	<u>\$ 308,664</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 110,190	\$ 107,360
Operating expenses	<u>209,844</u>	<u>201,304</u>
	<u>\$ 320,034</u>	<u>\$ 308,664</u>

f. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 3% and no higher than 3%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 15, 2019 and March 23, 2018, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Employees' compensation	3.15%	3.71%
Remuneration of directors and supervisors	1.51%	1.72%

Amount

	<b>For the Year Ended December 31</b>			
	<b>2018</b>		<b>2017</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Employees' compensation	\$ 9,000	\$ -	\$ 9,165	\$ -
Remuneration of directors and supervisors	4,320	-	4,240	-

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

g. Gains or losses on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Foreign exchange gains	\$ 17,582	\$ 12,925
Foreign exchange losses	<u>(18,052)</u>	<u>(26,999)</u>
Net foreign exchange losses	<u>\$ (470)</u>	<u>\$ (14,074)</u>



## 26. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of income tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax		
In respect of the current period	\$ 63,416	\$ 41,889
Income tax on unappropriated earnings	795	834
Adjustments for prior years	<u>4,088</u>	<u>(2,542)</u>
	<u>68,299</u>	<u>40,181</u>
Deferred tax		
In respect of the current period	7,207	6,344
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>6,250</u>	<u>-</u>
	<u>13,457</u>	<u>6,344</u>
Income tax expense recognized in profit or loss	<u>\$ 81,756</u>	<u>\$ 46,525</u>

A reconciliation of the accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax from continuing operations	<u>\$ 297,357</u>	<u>\$ 242,045</u>
Income tax expense calculated at the statutory rate	\$ 75,728	\$ 50,235
Nondeductible expenses in determining taxable income	139	274
Tax-exempt income	2	25
Income tax on unappropriated earnings	795	834
Effect of tax rate change	6,250	-
Deferred tax effect of earnings of subsidiaries	(4,205)	(2,301)
Adjustments for prior years' tax	4,088	(2,542)
Investment credits	<u>(1,041)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 81,756</u>	<u>\$ 46,525</u>

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%. The applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

The subsidiaries of the Group in China are approved for applying for “high-tech enterprises”. According to the second paragraph of Article 28 of the “Enterprise Income Tax Law of the People’s Republic of China”, high-tech enterprises that need to be supported by the state are subject to a 15% tax rate. The applicable tax rate used by subsidiaries in China was 15% from 2017 to 2019 due to the high-tech enterprise certificate which obtained the qualifications in November 2017.

As the status of the 2019 appropriation of earnings is uncertain, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Deferred tax</u>		
Effect of change in tax rate		
Translation of foreign operation	\$ (488)	\$ -
Remeasurement on defined benefit plans	(76)	-
	<u>(564)</u>	<u>-</u>
In respect of the current period		
Translation of foreign operations	(1,042)	(1,273)
Remeasurement on defined benefit plans	(46)	(51)
	<u>(1,088)</u>	<u>(1,324)</u>
Total income tax recognized in other comprehensive income	<u>\$ (1,652)</u>	<u>\$ (1,324)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax assets		
Tax refund receivable	<u>\$ 2,617</u>	<u>\$ 683</u>
Current tax liabilities		
Income tax payables	<u>\$ 30,728</u>	<u>\$ 20,442</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 2,769	\$ -	\$ 1,530	\$ -	\$ 4,299
Defined benefit plans	431	-	122	-	553
Unrealized gains on transaction with associates	2,785	2,124	-	-	4,909
Payable for annual leave	55	3	-	-	58
Allowance for impaired receivables	1,346	(124)	-	(9)	1,213
Unrealized losses on write-down of inventories	5,921	2,925	-	(20)	8,826
Others	<u>412</u>	<u>(406)</u>	<u>-</u>	<u>-</u>	<u>6</u>
	<u>\$ 13,719</u>	<u>\$ 4,522</u>	<u>\$ 1,652</u>	<u>\$ (29)</u>	<u>\$ 19,864</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 44,296	\$ 17,630	\$ -	\$ -	\$ 61,926
Others	<u>72</u>	<u>349</u>	<u>-</u>	<u>-</u>	<u>421</u>
	<u>\$ 44,368</u>	<u>\$ 17,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,347</u>

(Concluded)

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Exchange differences on translating the financial statements of foreign operations	\$ 1,496	\$ -	\$ 1,273	\$ -	\$ 2,769
Defined benefit plans	380	-	51	-	431
Unrealized gains on transaction with associates	2,508	277	-	-	2,785
Payable for annual leave	20	35	-	-	55
Allowance for impaired receivables	2,362	(984)	-	(32)	1,346
Unrealized losses on write-down of inventories	7,124	(1,182)	-	(21)	5,921
Others	<u>30</u>	<u>382</u>	<u>-</u>	<u>-</u>	<u>412</u>
	<u>\$ 13,920</u>	<u>\$ (1,472)</u>	<u>\$ 1,324</u>	<u>\$ (53)</u>	<u>\$ 13,719</u>

Deferred tax liabilities

Temporary differences					
Share of profit of subsidiaries, associates and joint ventures accounted for using equity method	\$ 39,180	\$ 5,116	\$ -	\$ -	\$ 44,296
Others	<u>316</u>	<u>(244)</u>	<u>-</u>	<u>-</u>	<u>72</u>
	<u>\$ 39,496</u>	<u>\$ 4,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,368</u>

- e. The aggregate amount of temporary differences associated with investments for which deferred tax liabilities have not been recognized

As of December 31, 2018 and 2017, the taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized were \$132,698 thousand and \$111,669 thousand, respectively.

f. Income tax assessments

The tax returns through 2016 have been assessed by the tax authorities. As of December 31, 2018 the Group has no unsettled lawsuits in relation to tax.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Basic earnings per share	<u>\$ 5.35</u>	<u>\$ 4.84</u>
Diluted earnings per share	<u>\$ 5.33</u>	<u>\$ 4.83</u>

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit for the year attributable to owners of the Company	<u>\$ 215,603</u>	<u>\$ 195,520</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares in computation of basic earnings per share	40,312	40,389
Effect of potentially dilutive ordinary shares:		
Employees' compensation or bonuses issued to employees	<u>138</u>	<u>116</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>40,450</u>	<u>40,505</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. CASH FLOWS INFORMATION

a. Non-cash transaction

For the years ended December 31, 2018 and 2017, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statement of cash flows:

As of December 31, 2018 and 2017, the unsettled payments for the acquisition of property, plant and equipment were \$446 thousand and \$1,138 thousand, respectively, which were recorded as other payables in the consolidated financial statements.

b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Cash Flows</b>	<b>Non-cash Change Exchange Rate Impact</b>	<b>Closing Balance</b>
Short-term borrowings	\$ 18,877	\$ (15,000)	\$ (40)	\$ 3,837
Long-term borrowings (including those due in one year)	3,173	(1,843)	(12)	1,318
Guarantee deposits	<u>793</u>	<u>304</u>	<u>(20)</u>	<u>1,077</u>
	<u>\$ 22,843</u>	<u>\$ (16,539)</u>	<u>\$ (72)</u>	<u>\$ 6,232</u>

## 29. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of buildings and transportation with lease terms between 1 and 3 years. The Group does not have a bargain purchase option to acquire the leased buildings at the expiration of the lease periods.

The future minimum lease payables for non-cancellable operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 3,476	\$ 2,955
Later than 1 year and not later than 5 years	<u>2,307</u>	<u>1,894</u>
	<u>\$ 5,783</u>	<u>\$ 4,849</u>

The lease payments recognized in profit or loss for the current period were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Minimum lease payments	<u>\$ 5,538</u>	<u>\$ 4,948</u>

b. The Group as lessor

Operating leases relate to leasing of buildings with lease terms between 3 to 5 years. The lessees do not have bargain purchase options to acquire the properties at the expiry of the lease periods.

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	\$ 7,858	\$ -
Later than 1 year and not later than 5 years	<u>24,488</u>	<u>-</u>
	<u>\$ 32,346</u>	<u>\$ -</u>

### 30. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, capital surplus, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of new debt issued and existing debt redeemed.

### 31. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments not measured at fair value

December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Financial assets at amortized cost					
Foreign corporate bonds	\$ 12,289	\$ -	\$ 12,713	\$ -	\$ 12,713

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
<u>Financial assets</u>					
Held-to-maturity financial assets	\$ 11,907	\$ -	\$ 11,994	\$ -	\$ 11,994

The fair values of the financial assets and financial liabilities included in the Level 2 category above have been determined in accordance with income approaches based on a discounted cash flow analysis.

- b. Fair value of financial instruments measured at fair value on a recurring basis

Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Domestic quoted shares	\$ 56	\$ -	\$ -	\$ 56

There were no transfers between Levels 1 and 2 in the current and prior periods.

- c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 56
Held-to-maturity investments	-	11,907
Loans and receivables (1)	-	740,981
Financial assets at amortized cost (2)	788,573	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (3)	83,398	111,539

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, other receivables, other financial assets - current and refundable deposits.
- 2) The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, other receivables (except for tax refund receivable), other financial assets - current, financial assets at amortized cost - non-current and refundable deposits.
- 3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, other payables (except for salaries and bonuses payable, employee compensation payable, remuneration of directors and supervisors payable, labor and health insurance payable, taxes payable, payable for retirement and payable for annual leaves), long-term loans (including those due in one year) and guarantee deposits.

- d. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, trade receivables, trade payables and borrowings. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group's financial department reports quarterly to the board of directors, an independent body that monitors risks and policies implemented to mitigate risk exposures.

# 1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates risk (see (a) below), interest rates risk (see (b) below), and other prices risk (see (c) below).

There had been no changes to the Group's exposure to market risks or the manner in which these risks were managed and measured.

## a) Foreign currency risk

Several subsidiaries of the Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposing the Group to foreign currency risk at the end of the reporting period are set out in Note 34.

### Sensitivity analysis

The Group was mainly exposed to the movement of foreign exchange rates in USD and RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currency of several subsidiaries of the Group against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated when the functional currency of several subsidiaries of the Group weakens 5% against the relevant currency. For a 5% strengthening of the functional currency of several subsidiaries of the Group against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	<b>USD Impact</b>		<b>RMB Impact</b>	
	<b>For the Year Ended December 31</b>		<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Profit or loss	\$ <u>4,168</u>	\$ <u>10,595</u>	\$ <u>6,329</u>	\$ <u>4,914</u>

The profit (loss) above was mainly attributable to the exposure outstanding on USD and RMB bank deposits, receivables and payables, which were not hedged at the end of the reporting period.

The Group's sensitivity to the USD decreased during the current period mainly because of a decrease in USD bank deposits. The Group's sensitivity to RMB increased during the current period mainly because of an increase in RMB bank deposits.



b) Interest rate risk

The carrying amount of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Fair value interest rate risk		
Financial assets	\$ 281,748	\$ 352,043
Financial liabilities	1,318	3,173
Cash flow interest rate risk		
Financial assets	305,759	192,250
Financial liabilities	3,837	18,877

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 1% basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been a 1% basis point higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$3,019 thousand and \$1,734 thousand, respectively, which would have been mainly attributable to the Group's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loan.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable-rate bank deposits.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities.

Sensitivity analysis

The Group's sensitivity to its investments was not materiality for the years ended December 31, 2018 and 2017.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, in order to mitigate the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to failure of counterparties to discharge an obligation pertain to financial assets recognized in the consolidated balance sheets.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group did not have significant credit risk for any single counterparty or any group of counterparties with similar characteristics.

The Group had transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Group had available unutilized bank loan facilities set out in (b) below.

#### a) Liquidity and interest risk rate table for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed upon repayment periods. The tables were drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both estimated interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are at floating rate, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 3,837	\$ -	\$ -	\$ -	\$ -
Fixed interest rate liabilities	1,318	-	-	-	-
Non-interest bearing	<u>14,558</u>	<u>62,608</u>	<u>-</u>	<u>1,077</u>	<u>-</u>
	<u>\$ 19,713</u>	<u>\$ 62,608</u>	<u>\$ -</u>	<u>\$ 1,077</u>	<u>\$ -</u>

December 31, 2017

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 18,877	\$ -	\$ -	\$ -	\$ -
Fixed interest rate liabilities	3,173	-	-	-	-
Non-interest bearing	<u>18,299</u>	<u>70,397</u>	<u>-</u>	<u>793</u>	<u>-</u>
	<u>\$ 40,349</u>	<u>\$ 70,397</u>	<u>\$ -</u>	<u>\$ 793</u>	<u>\$ -</u>

b) Loan commitments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured bank credit		
Amount used	\$ 3,837	\$ 18,877
Amount unused	<u>200,000</u>	<u>185,000</u>
	<u>\$ 203,837</u>	<u>\$ 203,877</u>
Secured bank credit which may be extended by mutual agreement:		
Amount used	\$ 1,318	\$ 3,173
Amount unused	<u>9,242</u>	<u>7,498</u>
	<u>\$ 10,560</u>	<u>\$ 10,671</u>

### 32. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which were related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

<b>Related Party Name</b>	<b>Relationship with the Group</b>
Yilan Wu Sha Culture Foundation	Related party in substance (the Chairman of the entity is the managing director of the Company)
MORN SUN FEED MILL CORP.	Related party in substance (the managing director of the entity is the Chairman of the Company)
WU, TING-GUO	Key management personnel (the managing director of the Company)

b. Revenue

Line Item	Related Party Category	For the Year Ended December 31	
		2018	2017
Sales revenue	Related party in substance	\$ <u>897</u>	\$ <u>-</u>

The Company's selling prices for the related parties are based on regional market basis, and the prices for third parties are reference to general market conditions. The credit period of related parties and third parties are to 90 days after the end of the month and of 30-150 days after the end of the month, r.

c. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31	
		2018	2017
General and administrative expenses - donation	Related party in substance	\$ <u>-</u>	\$ <u>1,500</u>
Other gains and losses - receipts of payments under custody	Related party in substance	\$ <u>205</u>	\$ <u>-</u>
General and administrative expenses - rental expense	Key management personnel	\$ <u>1,094</u>	\$ <u>-</u>

In 2018, the rental expenses, which were payable monthly, were based on current market prices.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 16,234	\$ 17,118
Post-employment benefits	<u>387</u>	<u>403</u>
	\$ <u>16,621</u>	\$ <u>17,521</u>

The remunerations of directors and key executives were determined by the remuneration committee based on the basis of individual performance and market trends.

### 33. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, government grants projects and guarantee for tariff:

	December 31	
	2018	2017
Freehold land and buildings (classified as property, plant and equipment)	\$ 21,081	\$ 21,999
Pledged bank deposits (classified as other financial assets - current)	<u>11,458</u>	<u>4,951</u>
	\$ <u>32,539</u>	\$ <u>26,950</u>

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,649	30.715 (USD:NTD)	\$ <u>81,363</u>
USD	89	1.366 (USD:SGD)	\$ <u>2,747</u>
RMB	19,511	4.472 (RMB:NTD)	\$ <u>87,255</u>
RMB	9,312	0.146 (RMB:USD)	\$ <u>41,675</u>

Financial liabilities

Monetary items			
USD	25	30.715 (USD:NTD)	\$ <u>755</u>
RMB	523	4.472 (RMB:NTD)	\$ <u>2,341</u>

December 31, 2017

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,014	29.760 (USD:NTD)	\$ <u>208,734</u>
USD	115	1.336 (USD:SGD)	\$ <u>3,434</u>
RMB	12,763	4.565 (RMB:NTD)	\$ <u>58,130</u>
RMB	9,041	0.153 (RMB:USD)	\$ <u>41,175</u>

Financial liabilities

Monetary items			
USD	9	29.760 (USD:NTD)	\$ <u>275</u>
RMB	223	4.565 (RMB:NTD)	\$ <u>1,020</u>

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange losses were \$470 thousand and \$14,074 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

### 35. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

The chief operating decision maker treats regional-direct-sale units as separate operation departments. However, in the preparation of financial statements, segments are identified according to the following:

- a. Similarity of the product nature and manufacturing process.
- b. Similarity of pricing strategy and sales models.
- a. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Process automated sensor development	\$ 947,965	\$ 960,459
Others	<u>146,073</u>	<u>100,197</u>
	<u>\$ 1,094,038</u>	<u>\$ 1,060,656</u>

- b. Geographical information

The Group operates in three principal geographical areas, China, Taiwan, USA and Germany.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	<b>Revenue from External Customers</b>		<b>Non-current Assets</b>	
	<b>For the Year Ended December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
China	\$ 450,777	\$ 433,287	\$ 96,157	\$ 105,849
Taiwan	389,945	406,002	344,956	361,588
USA	149,769	128,771	1,316	-
Germany	85,073	73,677	92,892	98,443
Others	<u>18,474</u>	<u>18,919</u>	<u>21,030</u>	<u>1,421</u>
	<u>\$ 1,094,038</u>	<u>\$ 1,060,656</u>	<u>\$ 556,351</u>	<u>\$ 567,301</u>

Non-current assets exclude financial assets at amortized cost - non-current, held-to-maturity financial assets - non-current, deferred tax assets, refundable deposits and defined benefit assets.

- c. Information about major customers

Single customers contributing 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Customer A	<u>\$ 141,457</u>	<u>\$ 121,941</u>