

**FineTek Co., Ltd.**

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### 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 Financial Statements section of our report. We are independent of the Company 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 financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the 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 financial statements of FineTek Co., Ltd. for the year ended December 31, 2018 are the following:

#### Validity of Occurrence of Sales Revenue from the Top 10 Customers

The operating revenue from the top ten customers (excluding subsidiaries) was approximately 18% of the total operating revenue in 2018. As the Company's customer base is large and diverse and is made up of a large number of unrelated customers, customer concentration is low. Therefore, we determined that the main risks are concentrated in the validity of occurrence of sales revenue from the top ten customers, and identified this as the key audit matter for the year ended December 31, 2018. The accounting policies related to revenue recognition are disclosed in Note 4(k) to the financial statements.

The audit procedures performed with respect to the sales revenue of the top ten customers are as follows:

1. We understood and tested the effectiveness of the design and implementation of the internal controls related to the sales revenue from the top ten customers.
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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the 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 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 Jung Cheng Chen and Keng Hsi Chang.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 15, 2019

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

# FINETEK CO., LTD.

## BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 225,678	15	\$ 225,424	15
Financial assets at fair value through profit or loss - current (Notes 3, 4 and 7)	-	-	56	-
Debt investment with no active market - current (Notes 3, 4 and 10)	-	-	51,000	3
Notes receivable (Notes 3, 4, 11 and 22)	19,932	1	23,787	2
Trade receivables (Notes 3, 4, 5, 11 and 22)	61,033	4	59,889	4
Trade receivables from related parties (Notes 3, 4, 5, 22 and 30)	52,423	3	61,286	4
Other receivables (Notes 3, 4, 11 and 26)	969	-	1,483	-
Other receivables from related parties (Notes 3, 4 and 30)	164	-	220	-
Inventories (Notes 4 and 12)	149,945	10	147,314	10
Other financial assets - current (Notes 3, 4, 16 and 31)	11,454	1	4,908	-
Other current assets (Note 16)	<u>1,406</u>	-	<u>3,564</u>	-
Total current assets	<u>523,004</u>	<u>34</u>	<u>578,931</u>	<u>38</u>
NON-CURRENT ASSETS				
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	-	-
Investments account for using equity method (Notes 4 and 13)	633,132	41	537,411	36
Property, plant and equipment (Notes 4 and 14)	324,982	21	339,887	23
Other intangible assets (Notes 4 and 15)	19,655	1	20,927	1
Deferred tax assets (Notes 4 and 24)	18,424	1	12,152	1
Other non-current assets (Notes 3, 4, 16 and 20)	<u>5,111</u>	<u>1</u>	<u>2,939</u>	-
Total non-current assets	<u>1,013,593</u>	<u>66</u>	<u>925,223</u>	<u>62</u>
TOTAL	<u>\$ 1,536,597</u>	<u>100</u>	<u>\$ 1,504,154</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 17)	\$ -	-	\$ 15,000	1
Contract liabilities - current (Notes 3 and 22)	9,974	1	-	-
Notes payable (Note 18)	6,460	-	6,777	-
Trade payables (Note 18)	37,258	2	43,512	3
Trade payables to related parties (Note 30)	3,298	-	1,816	-
Other payables (Notes 19 and 26)	58,745	4	54,777	4
Current tax liabilities (Notes 4 and 24)	27,990	2	18,625	1
Other current liabilities (Notes 3 and 19)	<u>627</u>	-	<u>2,669</u>	-
Total current liabilities	<u>144,352</u>	<u>9</u>	<u>143,176</u>	<u>9</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 24)	<u>62,347</u>	<u>4</u>	<u>44,368</u>	<u>3</u>
Total liabilities	<u>206,699</u>	<u>13</u>	<u>187,544</u>	<u>12</u>
EQUITY (Note 21)				
Share Capital				
Ordinary shares	403,892	26	403,892	27
Capital surplus	319,889	21	319,889	21
Retained earnings				
Legal reserve	180,576	12	161,024	11
Special reserve	25,871	2	19,659	1
Unappropriated earnings	466,191	30	438,017	29
Other equity				
Exchange differences on translating foreign operations	(29,548)	(2)	(25,871)	(1)
Treasury shares	<u>(36,973)</u>	<u>(2)</u>	<u>-</u>	-
Total equity	<u>1,329,898</u>	<u>87</u>	<u>1,316,610</u>	<u>88</u>
TOTAL	<u>\$ 1,536,597</u>	<u>100</u>	<u>\$ 1,504,154</u>	<u>100</u>

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

# FINETEK CO., LTD.

## 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, 22 and 30)	\$ 751,012	100	\$ 764,161	100
OPERATING COSTS (Notes 12, 23 and 30)	<u>368,293</u>	<u>49</u>	<u>366,827</u>	<u>48</u>
GROSS PROFIT	382,719	51	397,334	52
UNREALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Notes 4 and 30)	(24,545)	(3)	(16,380)	(2)
REALIZED GAIN ON TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES (Notes 4 and 30)	<u>16,380</u>	<u>2</u>	<u>14,752</u>	<u>2</u>
REALIZED GROSS PROFIT	<u>374,554</u>	<u>50</u>	<u>395,706</u>	<u>52</u>
OPERATING EXPENSES (Notes 4, 23 and 30)				
Selling and marketing expenses	99,185	13	98,825	13
General and administrative expenses	46,874	6	48,443	7
Research and development expenses	49,531	7	55,880	7
Expected credit loss reversed (Notes 4 and 11)	<u>(394)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>195,196</u>	<u>26</u>	<u>203,148</u>	<u>27</u>
PROFIT FROM OPERATIONS	<u>179,358</u>	<u>24</u>	<u>192,558</u>	<u>25</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 23)				
Other income	16,012	2	10,386	1
Other gains and losses (Note 30)	7,007	1	(12,362)	(1)
Finance costs	(21)	-	(183)	-
Share of profit or loss of subsidiaries, associates and joint ventures	<u>70,095</u>	<u>9</u>	<u>42,991</u>	<u>6</u>
Total non-operating income and expenses	<u>93,093</u>	<u>12</u>	<u>40,832</u>	<u>6</u>
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS	272,451	36	233,390	31
INCOME TAX EXPENSE (Notes 4 and 24)	<u>(56,848)</u>	<u>(7)</u>	<u>(37,870)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>215,603</u>	<u>29</u>	<u>195,520</u>	<u>26</u>

(Continued)

# FINETEK CO., LTD.

## 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	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plan (Note 20)	\$ (230)	-	\$ (300)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 24)	<u>122</u> <u>(108)</u>	<u>-</u> <u>-</u>	<u>51</u> <u>(249)</u>	<u>-</u> <u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Note 21)	(5,207)	(1)	(7,485)	(1)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 21 and 24)	<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>\$ 211,818</u>	<u>28</u>	<u>\$ 189,059</u>	<u>25</u>
EARNINGS PER SHARE (Note 25)				
From continuing operations				
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 financial statements.

(Concluded)



# FINETEK CO., LTD.

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

	<u>Share Capital</u>		<u>Retained Earnings</u>			<u>Other Equity</u>		
	<u>Ordinary</u>	<u>Capital Surplus</u>	<u>Legal Reserve</u>	<u>Special Reserve</u>	<u>Unappropriated</u>	<u>Exchange</u>	<u>Treasury</u>	<u>Total Equity</u>
	<u>Shares</u>				<u>Earnings</u>	<u>Differences on</u>	<u>Shares</u>	
						<u>Translating</u>		
						<u>Foreign</u>		
						<u>Financial</u>		
						<u>Statements</u>		
BALANCE AT JANUARY 1, 2017	\$ 384,659	\$ 319,889	\$ 144,280	\$ 12,354	\$ 401,426	\$ (19,659)	\$ -	\$ 1,242,949
Appropriation of 2016 earnings (Note 21)								
Legal reserve	-	-	16,744	-	(16,744)	-	-	-
Special reserve	-	-	-	7,305	(7,305)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(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
Other comprehensive loss for the year ended December 31, 2017, net of income tax	-	-	-	-	(249)	(6,212)	-	(6,461)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	195,271	(6,212)	-	189,059
BALANCE AT DECEMBER 31, 2017	403,892	319,889	161,024	19,659	438,017	(25,871)	-	1,316,610
Appropriation of 2017 earnings (Note 21)								
Legal reserve	-	-	19,552	-	(19,552)	-	-	-
Special reserve	-	-	-	6,212	(6,212)	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(161,557)	-	-	(161,557)
Net profit for the year ended December 31, 2018	-	-	-	-	215,603	-	-	215,603
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	(108)	(3,677)	-	(3,785)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	215,495	(3,677)	-	211,818
Buy-back of ordinary shares (Note 21)	-	-	-	-	-	-	(36,973)	(36,973)
BALANCE AT DECEMBER 31, 2018	<u>\$ 403,892</u>	<u>\$ 319,889</u>	<u>\$ 180,576</u>	<u>\$ 25,871</u>	<u>\$ 466,191</u>	<u>\$ (29,548)</u>	<u>\$ (36,973)</u>	<u>\$ 1,329,898</u>

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

# FINETEK CO., LTD.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 272,451	\$ 233,390
Adjustments for:		
Expected credit loss reversed on trade receivables	(394)	-
Impairment loss reversed on trade receivables	-	(2,498)
Depreciation expenses	22,539	23,619
Amortization expenses	8,196	10,584
Net loss on fair value changes of financial asset designated as at fair value through profit or loss	-	3
Finance costs	21	183
Interest income	(3,271)	(3,599)
Dividend income	-	(45)
Share of profit of subsidiaries, associates and joint ventures	(70,095)	(42,991)
Gain on disposal of property, plant and equipment	(220)	(172)
Write-downs of inventories	9,869	-
Unrealized loss on transactions with subsidiaries, associates and joint ventures	24,545	16,380
Realized gain on transactions with subsidiaries, associates and joint ventures	(16,380)	(14,752)
Net(gain) loss on foreign currency exchange	(4,221)	4,758
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	1,286	-
Notes receivable	3,855	2,601
Trade receivables	(68)	(2,785)
Trade receivables from related parties	8,863	17,061
Other receivables	(603)	6
Inventories	(12,500)	(33,692)
Other current assets	2,158	(1,086)
Other non-current assets	(226)	(114)
Contract liabilities	7,443	-
Notes payable	(317)	(2,314)
Trade payables	(6,254)	3,425
Trade payables to related parties	1,482	871
Other payables	4,838	4,947
Other current liabilities	489	(1,467)
Cash generated from operations	253,486	212,313
Interest received	3,158	3,586
Dividends received	-	45
Interest paid	(21)	(183)
Income tax paid	(34,124)	(25,614)
Net cash generated from operating activities	222,499	190,147

(Continued)

# FINETEK CO., LTD.

## 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 INVESTING ACTIVITIES</b>		
Purchase of debt investments with no active market	\$ -	\$ (51,000)
Acquisition of subsidiaries	(38,998)	-
Payments for property, plant and equipment	(8,359)	(10,424)
Proceeds from disposal of property, plant and equipment	834	1,428
Increase in refundable deposit	(3,130)	-
Decrease in refundable deposits	198	282
Increase in other receivables from related parties	-	(220)
Decrease in other receivables from related parties	56	-
Payments for intangible assets	(6,924)	(6,552)
Increase in other financial assets	-	(4,908)
Decrease in other financial assets	44,454	-
Increase in prepayments for equipment	<u>(304)</u>	<u>(774)</u>
Net cash used in investing activities	<u>(12,173)</u>	<u>(72,168)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	-	15,000
Repayments of long-term borrowings	(15,000)	(20,000)
Dividends paid to owners of the FineTek	(161,557)	(115,398)
Payment for buy-back of ordinary shares	<u>(36,973)</u>	<u>-</u>
Net cash used in financing activities	<u>(213,530)</u>	<u>(120,398)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES</b>	<u>3,458</u>	<u>(3,588)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	254	(6,007)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>225,424</u>	<u>231,431</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 225,678</u>	<u>\$ 225,424</u>

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

(Concluded)

# **FINETEK CO., LTD.**

## **NOTES TO 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 financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

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

The 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 Company’s accounting policies of the Company:

- 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 Company 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 Company'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	\$ 225,424	\$ 225,424	Note 1		
Equity securities	Available-for-sale	Mandatorily at FVTPL	56	56	-		
Debt securities	Held-to-maturity	Amortized cost	11,907	11,907	Note 2		
Debt investments with no active market - current	Loans and receivables	Amortized cost	51,000	51,000	Note 1		
Notes receivable, trade receivables, trade receivables from related parties, other receivables and other receivables from related parties	Loans and receivables	Amortized cost	146,665	146,665	Note 1		
Other financial assets - current	Loans and receivables	Amortized cost	4,908	4,908	Note 1		
Refundable deposits	Loans and receivables	Amortized cost	1,295	1,295	Note 1		
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	-	-	Note 2
Add: Reclassification from loans and receivables (IAS 39)	-	429,292	-	429,292	-	-	Note 1
	<u>\$ -</u>	<u>\$ 441,199</u>	<u>\$ -</u>	<u>\$ 441,199</u>	<u>\$ -</u>	<u>\$ -</u>	

Note 1: Cash and cash equivalents, debt investments with no active market - current, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, 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.

Note 2: Debt securities previously classified as at held-to-maturity investment 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 Company elected only to retrospectively apply IFRS 15 to contracts that were not complete as of January 1, 2018 and recognize the cumulative effect of 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:

	<b>As Originally Stated</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated</b>
Contract liabilities - current	\$ -	\$ 2,531	\$ 2,531
Other current liabilities	2,669	<u>(2,531)</u>	138
Total effect on liabilities		<u>\$ -</u>	

Had the Company 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 liability - current	\$ 9,974
Decrease in other current liabilities	<u>(9,974)</u>
	<u>\$ -</u>

The Company 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	-	\$ 2,531	2,531
Other current liabilities	2,669	<u>(2,531)</u>	138
Total effect on liabilities		<u>\$ -</u>	

Had the Company 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	\$ 9,974
Decrease in other liabilities - current	<u>(9,974)</u>
Total effect on liabilities	<u>\$ -</u>

Had the Company applied IAS 39 and IAS 18 in the current year, there is no impact on the income statement and the 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 Company 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 Company 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 Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, and lease liabilities for all leases on the financial 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 financial statements of comprehensive income, the Company 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 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. Cash flows for operating leases are classified within operating activities on the statements of cash flows.

The Company 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 Company will apply IAS 36 to all right-of-use assets.

The Company expects to apply the following practical expedients:

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

### Anticipated impact on assets, liabilities and equity

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2019</b>
Other current assets	\$ 1,406	\$ (708)	\$ 698
Right-of-use assets	-	<u>887</u>	887
Total effect on assets		<u>\$ 179</u>	
Lease liabilities - current	-	<u>\$ 179</u>	179
Total effect on liabilities		<u>\$ 179</u>	

Except for the above impacts, as of the date the financial statements were authorized for issue, the Company 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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
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 Company 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 Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’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 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 financial statements shall prevail. However, the financial statements do not include the English translation of the additional footnote disclosures that are not required under IFRSs but are required by the FSC for oversight purposes.

- a. Statement of compliance

The parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- b. Basis of preparation

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

The fair value measurements, which are grouped into Levels 1 to 3 based on 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.

When preparing these parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using equity method, the share of profit or loss of subsidiaries, associates and joint ventures, the shares of other comprehensive income of subsidiaries, associates and joint ventures, and related equity items, as appropriate, in these parent company only financial statements.

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 Company 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. Foreign currencies

In preparing the Company's financial statements, transactions in currencies other than the Company'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 these 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.

e. 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 Company 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.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, an investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of the equity of subsidiaries.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are equity transactions. The Company recognizes directly in equity any difference between the carrying amount of an investment and the fair value of the consideration paid or received.

When the Company's share of losses of a subsidiary exceeds its interest in that subsidiary (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognized immediately in profit or loss.

The Company assesses its investments for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the entire financial statements of the investee companies. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of any investment subsequently increases, the Company recognizes the reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized net of amortization had no impairment loss been recognized in prior years. An impairment loss recognized on goodwill cannot be reversed in a subsequent period.

When the Company loses control of a subsidiary, it recognizes the investment retained in the former subsidiary at its fair value at the date when control is lost. The difference between the fair value of the retained investment plus any consideration received and the carrying amount of the previous investment at the date when control is lost is recognized as a gain or loss in profit or loss. Besides, the Company accounts for all amounts previously recognized in other comprehensive income in relation to that

subsidiary on the same basis as would be required if the Company had directly disposed of the related assets or liabilities.

Profits or losses resulting from downstream transactions are eliminated in full only in the parent company's financial statements. Profits and losses resulting from upstream transactions and transactions between subsidiaries are recognized only in the parent company's financial statements only to the extent of interests in the subsidiaries that are not related to the Company.

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. 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. 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 estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that 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.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets, 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 Company estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Corporate assets are allocated to the individual CGU 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 CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU 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 CGU 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 on the asset or CGU in prior years. The reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when the Company 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 FVTPL) 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 FVTPL 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, trade receivables from related parties, other receivables, other receivables from related parties (not including tax refund receivable), 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 Company 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, trade receivables from related parties, other receivables, other receivables from related parties, 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 Company 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 Company always recognizes lifetime expected credit losses (i.e. ECLs) for notes receivable and trade receivables. For all other financial instruments, the Company 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 Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs. For financial instruments, the Company 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 Company 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 Company'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 Company 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.

k. Revenue recognition

2018

The Company 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 Company 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 repairment.

As the Company provides product repairment services, customers simultaneously receive and consume the benefits provided by the Company'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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company 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 Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company 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 Company 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.

l. 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.

The Company as lessee

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

m. Borrowing costs

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

n. Government grants

Government grants are not recognized until there is reasonable assurance that the Company 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 Company 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 Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

o. 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.

The net defined benefit liability (asset) represents the actual deficit (surplus) in the Company's defined benefit plan. 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.

p. 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 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, except where the Company is able to control the reversal of the temporary differences and it is probable that the temporary differences 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 use 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 Company 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 Company'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 Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company'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 Company 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	\$ 675	\$ 827
Checking accounts	2	75
Demand deposits	107,640	106,667
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	<u>117,361</u>	<u>117,855</u>
	<u>\$ 225,678</u>	<u>\$ 225,424</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 Company'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 to 2025.04.01

b. The Company'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 to 2025.04.14

The Company 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 Company 's exposure and the external credit ratings are continuously monitored. The Company 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 Company 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

**December 31,  
2017**

### Non-current

#### Foreign investments

Corporation bonds - Deutsche Bank	\$ 5,963
Corporation bonds - Société Générale	<u>5,944</u>
	<u>\$ 11,907</u>

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

**December 31,  
2017**

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 Company's investments in bonds issued by Société Générale were as follows:

**December 31,  
2017**

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- 2025.04.01

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

**December 31,  
2017**

## Current

Time deposit with original maturities of more than 3 months \$ 51,000

As of December 31, 2017, the market interest rates of the time deposits with original maturities of more than 3 months were 0.65%.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 19,932	\$ 23,787
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
	<u>\$ 19,932</u>	<u>\$ 23,787</u>
Notes receivable - operating	<u>\$ 19,932</u>	<u>\$ 23,787</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 65,070	\$ 64,621
Less: Allowance for impairment loss	<u>(4,037)</u>	<u>(4,732)</u>
	<u>\$ 61,033</u>	<u>\$ 59,889</u>
<u>Other receivables</u>		
Receivable from disposal of investments	\$ -	\$ 1,230
Tax refundable receivable	603	-
Interest receivables	<u>366</u>	<u>253</u>
	<u>\$ 969</u>	<u>\$ 1,483</u>
<u>Overdue receivables</u>		
At amortized cost		
Overdue receivables	\$ 495	\$ 1,252
Less: Allowance for impairment loss	<u>(495)</u>	<u>(1,252)</u>
	<u>\$ -</u>	<u>\$ -</u>

a. Notes receivable

In 2018

The Company 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 Company has no need to recognize expected credit losses on note receivables.

In 2017

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

The aging of note receivables was as follow:

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Up to 90 days	\$ 19,502	\$ 22,657
91 to 180 days	<u>430</u>	<u>1,130</u>
	<u>\$ 19,932</u>	<u>\$ 23,787</u>

The above aging schedule base 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 30-120 days.

In order to minimize credit risk, the management of the Company 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 Company 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 Company's credit risk was significantly reduced.

The Company 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's current financial position. As the Company'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 Company's different customer base.

The Company 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 Company 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 Company'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	1.98%	8.98%	28.01%	50.60%	86.81%	100%	
Gross carrying amount	\$ 53,875	\$ 8,451	\$ 664	\$ 83	\$ 91	\$ 2,401	\$ 65,565
Loss allowance (Lifetime ECL)	<u>(1,065)</u>	<u>(759)</u>	<u>(186)</u>	<u>(42)</u>	<u>(79)</u>	<u>(2,401)</u>	<u>(4,532)</u>
Amortized cost	<u>\$ 52,810</u>	<u>\$ 7,692</u>	<u>\$ 478</u>	<u>\$ 41</u>	<u>\$ 12</u>	<u>\$ -</u>	<u>\$ 61,033</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	\$ 5,984
Adjustment on initial application of IFRS 9	<u>-</u>
Balance at January 1, 2018 per IFRS 9	5,984
Less: Amounts written off	(1,058)
Less: Net remeasurement of loss allowance	<u>(394)</u>
Balance at December 31, 2018	<u>\$ 4,532</u>

In 2017

The Company applied the same credit policy in 2018 and 2017. In determining the collectability of a trade receivable, the Company 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 Company recognized an allowance for impairment loss of 100% against all trade receivables over 60 days because historical experience shows that receivables outstanding beyond 60 days are not recoverable. For receivables outstanding between 1 to 60 days, the Company 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 Company 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 Company did not hold any collateral or other credit enhancements for these balances.

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

	December 31, 2017
Not overdue	\$ 44,949
Overdue 1-30 days	10,648
Overdue 31-60 days	4,644
Overdue beyond 60 days	<u>5,632</u>
	<u>\$ 65,873</u>

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

The movements of the allowance for doubtful trade receivables were as follows:

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2017	\$ 1,139	\$ 7,343	\$ 8,482
Add: Impairment losses recognized on receivables	113	-	113
Less: Impairment losses reversed	<u>-</u>	<u>(2,611)</u>	<u>(2,611)</u>
Balance at December 31, 2017	<u>\$ 1,252</u>	<u>\$ 4,732</u>	<u>\$ 5,984</u>

The Company recognized an impairment loss on trade receivables amounting to \$1,252 thousand as of December 31, 2017. These amounts mainly related to customers that were in liquidation (or in severe financial difficulties). The Company did not hold any collateral over these balances.

c. Other receivables

In 2018

Other receivables consisted of tax refund receivable and interest receivable and so on. The Company applied the policy only with good credit traders. The Company 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 Company 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 Company determined that there would be no overdue payments. Thus, there is no bad debt existing.

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Merchandise inventory	\$ 456	\$ 1
Finished goods	98,805	73,433
Work in progress	13,530	14,534
Raw materials	<u>37,154</u>	<u>59,346</u>
	<u>\$ 149,945</u>	<u>\$ 147,314</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$368,293 thousand and \$366,827 thousand, respectively. The cost of goods sold included inventory write-downs of \$9,869 thousand and \$0 thousand, respectively.

### 13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

#### Investments in Subsidiaries

	December 31	
	2018	2017
Powerline Corp. (SAMOA)	\$ 434,973	\$ 394,120
Golden Land International Corp. (SAMOA)	46,910	37,050
Gain Access Investments Ltd.	112,934	106,241
PT. Finetek Automation Indonesia (Note)	<u>38,315</u>	<u>-</u>
	<u>\$ 633,132</u>	<u>\$ 537,411</u>
	Proportion of Ownership and Voting Rights	
	December 31, 2018	December 31, 2017
Powerline Corp. (SAMOA)	100.00%	100.00%
Golden Land International Corp. (SAMOA)	100.00%	100.00%
Gain Access Investments Ltd.	100.00%	100.00%
PT. Finetek Automation Indonesia (Note)	99.65%	-

Note: 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.

The investments in subsidiaries accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' financial statements audited by the auditors for the same years.

### 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	\$ 142,039	\$ 201,485	\$ 43,092	\$ 11,026	\$ 10,704	\$ 16,361	\$ 31,485	\$ 254	\$ 456,446
Additions	-	267	5,486	1,098	1,372	2,235	787	-	11,245
Disposals	-	-	-	(441)	(5,162)	(1,847)	(1,904)	-	(9,354)
Reclassified (Note 1)	-	254	535	-	-	-	-	(254)	535
Balance at December 31, 2017	<u>\$ 142,039</u>	<u>\$ 202,006</u>	<u>\$ 49,113</u>	<u>\$ 11,683</u>	<u>\$ 6,914</u>	<u>\$ 16,749</u>	<u>\$ 30,368</u>	<u>\$ -</u>	<u>\$ 458,872</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2017	\$ -	\$ 35,845	\$ 17,057	\$ 7,941	\$ 8,122	\$ 11,118	\$ 23,381	\$ -	\$ 103,464
Disposals	-	-	-	(436)	(5,162)	(596)	(1,904)	-	(8,098)
Depreciation expenses	-	6,380	7,252	1,200	1,891	3,708	3,188	-	23,619
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 42,225</u>	<u>\$ 24,309</u>	<u>\$ 8,705</u>	<u>\$ 4,851</u>	<u>\$ 14,230</u>	<u>\$ 24,665</u>	<u>\$ -</u>	<u>\$ 118,985</u>
Carrying amounts at December 31, 2017	<u>\$ 142,039</u>	<u>\$ 159,781</u>	<u>\$ 24,804</u>	<u>\$ 2,978</u>	<u>\$ 2,063</u>	<u>\$ 2,519</u>	<u>\$ 5,703</u>	<u>\$ -</u>	<u>\$ 339,887</u>
<b>Cost</b>									
Balance at January 1, 2018	\$ 142,039	\$ 202,006	\$ 49,113	\$ 11,683	\$ 6,914	\$ 16,749	\$ 30,368	\$ -	\$ 458,872
Additions	-	193	4,271	-	201	1,735	1,089	-	7,489
Disposals	-	-	(1,118)	(474)	(78)	(357)	(255)	-	(2,282)
Reclassified (Note 2)	-	3,161	(3,342)	-	(1,297)	-	2,237	-	759
Balance at December 31, 2018	<u>\$ 142,039</u>	<u>\$ 205,360</u>	<u>\$ 48,924</u>	<u>\$ 11,209</u>	<u>\$ 5,740</u>	<u>\$ 18,127</u>	<u>\$ 33,439</u>	<u>\$ -</u>	<u>\$ 464,838</u>
<b>Accumulated depreciation and impairment</b>									
Balance at January 1, 2018	\$ -	\$ 42,225	\$ 24,309	\$ 8,705	\$ 4,851	\$ 14,230	\$ 24,665	\$ -	\$ 118,985
Disposals	-	-	(835)	(470)	(78)	(30)	(255)	-	(1,668)
Depreciation expenses	-	7,347	8,406	1,158	1,087	2,162	2,379	-	22,539
Reclassified	-	2,009	(1,301)	-	(1,206)	-	498	-	-
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 51,581</u>	<u>\$ 30,579</u>	<u>\$ 9,393</u>	<u>\$ 4,654</u>	<u>\$ 16,362</u>	<u>\$ 27,287</u>	<u>\$ -</u>	<u>\$ 139,856</u>
Carrying amounts at December 31, 2018	<u>\$ 142,039</u>	<u>\$ 153,779</u>	<u>\$ 18,345</u>	<u>\$ 1,816</u>	<u>\$ 1,086</u>	<u>\$ 1,765</u>	<u>\$ 6,152</u>	<u>\$ -</u>	<u>\$ 324,982</u>

Note 1: Transferred from prepayments for equipment and prepayments are \$510 thousand and \$25 thousand, respectively.

Note 2: Transferred for prepayments for equipment.

For the years ended December 31, 2018 and 2017, no impairment assessment was 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	35 years
Accessory equipment	2-10 years
Machinery and equipment	1-10 years
Transportation	4-5 years
Office equipment	1-5 years
Molding equipment	1-4 years
Other equipment	1-10 years

## 15. OTHER INTANGIBLE ASSETS

	Computer Software	Licenses and Franchises	Total
<u>Cost</u>			
Balance at January 1, 2017	\$ 42,947	\$ 750	\$ 43,697
Additions	6,552	-	6,552
Disposals	(16,956)	-	(16,956)
Reclassified (Note)	<u>465</u>	<u>-</u>	<u>465</u>
Balance at December 31, 2017	<u>\$ 33,008</u>	<u>\$ 750</u>	<u>\$ 33,758</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2017	\$ 19,143	\$ 60	\$ 19,203
Amortization expenses	10,558	26	10,584
Disposals	<u>(16,956)</u>	<u>-</u>	<u>(16,956)</u>
Balance at December 31, 2017	<u>\$ 12,745</u>	<u>\$ 86</u>	<u>\$ 12,831</u>
Carrying amounts at December 31, 2017	<u>\$ 20,263</u>	<u>\$ 664</u>	<u>\$ 20,927</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 33,008	\$ 750	\$ 33,758
Additions	6,924	-	6,924
Disposals	<u>(165)</u>	<u>-</u>	<u>(165)</u>
Balance at December 31, 2018	<u>\$ 39,767</u>	<u>\$ 750</u>	<u>\$ 40,517</u>

(Continued)

	<b>Computer Software</b>	<b>Licenses and Franchises</b>	<b>Total</b>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ 12,745	\$ 86	\$ 12,831
Amortization expenses	8,172	24	8,196
Disposals	<u>(165)</u>	<u>-</u>	<u>(165)</u>
Balance at December 31, 2018	<u>\$ 20,752</u>	<u>\$ 110</u>	<u>\$ 20,862</u>
Carrying amounts at December 31, 2018	<u>\$ 19,015</u>	<u>\$ 640</u>	<u>\$ 19,655</u> (Concluded)

Note: Transferred from prepayments for equipment.

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

Computer software	1-10 years
Licenses and franchises	29 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	4,572	4,741
General and administrative expenses	694	2,724
Research and development expenses	<u>1,520</u>	<u>1,656</u>
	<u>\$ 8,196</u>	<u>\$ 10,584</u>

## 16. OTHER ASSETS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>Current</u>		
Prepayments	<u>\$ 1,406</u>	<u>\$ 3,564</u>
Other financial assets - current (Note 31) (Note)	<u>\$ 11,454</u>	<u>\$ 4,908</u>
<u>Non-current</u>		
Prepayments for equipment	\$ 319	\$ 774
Refundable deposits (Note)	4,227	1,295
Net defined benefit assets (Note 20)	<u>565</u>	<u>870</u>
	<u>\$ 5,111</u>	<u>\$ 2,939</u>

Note: The Company 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 Company has no need to recognize expected credit loss on other financial assets and refundable deposits.

## 17. BORROWINGS

### Short-term Borrowings

	December 31	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings (Note)	\$ <u>-</u>	\$ <u>15,000</u>

Note: The interest rate on line of credit borrowings was 1.25% per annum as of December 31, 2017.

## 18. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2018	2017
<u>Notes payable</u>		
Operating	\$ <u>6,460</u>	\$ <u>6,777</u>
<u>Trade payables</u>		
Operating	\$ <u>37,258</u>	\$ <u>43,512</u>

## 19. OTHER LIABILITIES

	December 31	
	2018	2017
<u>Current</u>		
Other payables		
Payable for salaries and bonuses	\$ 30,895	\$ 24,752
Payable for employee compensation	9,000	9,165
Payable for remuneration of directors and supervisors	4,320	4,240
Payable for insurance	3,439	3,661
Payable for retirement	1,906	2,014
Payable for annual leave	292	326
Payable for purchases of equipment (Note 26)	268	1,138
Payable for professional service fees	1,539	1,745
Others	<u>7,086</u>	<u>7,736</u>
	<u>\$ 58,745</u>	<u>\$ 54,777</u>
Other liabilities		
Advance sales receipts	\$ -	\$ 2,531
Others	<u>627</u>	<u>138</u>
	<u>\$ 627</u>	<u>\$ 2,669</u>

## 20. 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.

### 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 balance sheet 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 Liability (Asset)</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 assumption	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>
Benefit paid	<u>(132)</u>	<u>132</u>	<u>-</u>
Balance at December 31, 2017	<u>4,490</u>	<u>(5,360)</u>	<u>(870)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
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 assumption	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> (Concluded)

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	\$ 177	\$ 159
Expected rate(s) of salary increase		
1% increase	\$ 739	\$ 663
1% decrease	\$ (632)	\$ (569)

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	\$ -	\$ -
The average duration of the defined benefit obligation	14 years	15 years

## 21. EQUITY

### a. Share capital

#### Ordinary shares

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

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 dividend 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 23,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>Appropriations 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 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. 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.

## 22. 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	\$ 749,365	\$ 762,642
Revenue from rendering of services	<u>1,647</u>	<u>1,519</u>
	<u>\$ 751,012</u>	<u>\$ 764,161</u>

### Contract Balances

	<b>December 31, 2018</b>
Contract assets	
Note receivables (Note 11)	\$ 19,932
Trade receivables (Note 11)	61,033
Trade receivables from related party (Note 30)	<u>52,423</u>
	<u>\$ 133,388</u>
Contract liabilities - current	
Sales of goods	<u>\$ 9,974</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>\$ 1,787</u>

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

### a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest income	\$ 3,271	\$ 3,599
Dividends	-	45
Government grants income	12,063	6,151
Others	<u>678</u>	<u>591</u>
	<u>\$ 16,012</u>	<u>\$ 10,386</u>

### b. Other gains and (losses)

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Gain on disposal of property, plant and equipment	\$ 220	\$ 172
Net foreign exchange gains (losses)	1,023	(16,357)
Net loss arising on financial assets held for trading	-	(3)
Receipts of payments under custody	5,807	3,956
Others	<u>(43)</u>	<u>(130)</u>
	<u>\$ 7,007</u>	<u>\$ (12,362)</u>

### c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Interest on loans	\$ <u>(21)</u>	\$ <u>(183)</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	\$ 17,960	\$ 18,355
Operating expenses	<u>4,579</u>	<u>5,264</u>
	<u>\$ 22,539</u>	<u>\$ 23,619</u>
An analysis of amortization by function		
Operating costs	\$ 1,410	\$ 1,463
Operating expenses	<u>6,786</u>	<u>9,121</u>
	<u>\$ 8,196</u>	<u>\$ 10,584</u>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term benefits	\$ 162,229	\$ 168,908
Post-employment benefits		
Defined contribution plan	7,797	7,983
Defined benefit plan (Note 20)	75	(1)
Other employee benefits		
Labor and health insurance expense	16,094	16,006
Other employee benefits	<u>12,993</u>	<u>12,734</u>
Total employee benefits expense	<u>\$ 199,188</u>	<u>\$ 205,630</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 87,694	\$ 88,622
Operating expenses	<u>111,494</u>	<u>117,008</u>
	<u>\$ 199,188</u>	<u>\$ 205,630</u>

	<b>For the Year Ended December 31</b>					
	<b>2018</b>			<b>2017</b>		
	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>	<b>Operating Costs</b>	<b>Operating Expenses</b>	<b>Total</b>
Salary	\$ 70,566	\$ 86,800	\$ 157,366	\$ 71,622	\$ 92,518	\$ 164,140
Labor and health insurance	7,043	9,051	16,094	7,232	8,774	16,006
Pensions	3,269	4,603	7,872	3,377	4,605	7,982
Remuneration of directors	-	4,863	4,863	-	4,768	4,768
Other employee benefits	<u>6,816</u>	<u>6,177</u>	<u>12,993</u>	<u>6,391</u>	<u>6,343</u>	<u>12,734</u>
Total employee benefits expense	<u>\$ 87,694</u>	<u>\$ 111,494</u>	<u>\$ 199,188</u>	<u>\$ 88,622</u>	<u>\$ 117,008</u>	<u>\$ 205,630</u>

As of December 31, 2018 and 2017, the numbers of Company's employees were 301 and 314, respectively. There were both 4 directors who did not serve employees, and the calculation basis is consistent with employee benefit expenses.

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>2017</b>		<b>2016</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 financial statements are authorized for issue, the differences will be recorded as a change during the next accounting period.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the 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	\$ 14,939	\$ 9,644
Foreign exchange losses	<u>(13,916)</u>	<u>(26,001)</u>
Net foreign exchange gains (losses)	<u>\$ 1,023</u>	<u>\$ (16,357)</u>

**24. 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	\$ 43,255	\$ 31,684
Income tax on unappropriated earnings	795	834
Adjustments for prior years	<u>(561)</u>	<u>(395)</u>
	<u>43,489</u>	<u>32,123</u>
Deferred tax		
In respect of the current period	7,109	5,747
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>6,250</u>	<u>-</u>
	<u>13,359</u>	<u>5,747</u>
Income tax expense recognized in profit or loss	<u>\$ 56,848</u>	<u>\$ 37,870</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>272,451</u>	\$ <u>233,390</u>
Income tax expense calculated at the statutory rate	\$ 54,490	\$ 39,676
Nondeductible expenses in determining taxable income	77	31
Tax-exempt income	2	25
Income tax on unappropriated earnings	795	834
Deferred tax effect of earnings of subsidiaries	(4,205)	(2,301)
Effect of tax rate change	6,250	-
Adjustments for prior years' tax	<u>(561)</u>	<u>(395)</u>
Income tax expense recognized in profit or loss	\$ <u>56,848</u>	\$ <u>37,870</u>

In 2017, the applicable corporate income tax rate used by the Company 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%.

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 operations	\$ (488)	\$ -
Remeasurement on defined benefit plans	<u>(76)</u>	<u>-</u>
	<u>(564)</u>	<u>-</u>
<u>Deferred tax</u>		
In respect of the current period:		
Translation of foreign operations	(1,042)	(1,273)
Remeasurement on defined benefit plans	<u>(46)</u>	<u>(51)</u>
	<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 liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax liabilities		
Income tax payable	\$ <u>27,990</u>	\$ <u>18,625</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>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 plan	431	-	122	553
Unrealized gains on transactions with associates	2,785	2,124	-	4,909
Payable for annual leave	55	3	-	58
Allowance for impaired receivables	761	28	-	789
Unrealized losses on write-down of inventories	4,961	2,849	-	7,810
Others	<u>390</u>	<u>(384)</u>	<u>-</u>	<u>6</u>
	<u>\$ 12,152</u>	<u>\$ 4,620</u>	<u>\$ 1,652</u>	<u>\$ 18,424</u>

Deferred tax liabilities

Temporary differences				
Share of profit or loss 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>421</u>
	<u>\$ 44,368</u>	<u>\$ 17,979</u>	<u>\$ -</u>	<u>\$ 62,347</u>

For the year ended December 31, 2017

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<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 plan	380	-	51	431
Unrealized gains on transactions with associates	2,508	277	-	2,785
Payable for annual leave	20	35	-	55
Allowance for impaired receivables	1,157	(396)	-	761
Unrealized losses on write-down of inventories	6,112	(1,151)	-	4,961
Others	<u>30</u>	<u>360</u>	<u>-</u>	<u>390</u>
	<u>\$ 11,703</u>	<u>\$ (875)</u>	<u>\$ 1,324</u>	<u>\$ 12,152</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Share of profit or loss 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>72</u>
	<u>\$ 39,496</u>	<u>\$ 4,872</u>	<u>\$ -</u>	<u>\$ 44,368</u>
				(Concluded)

- 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 Company has no unsettled lawsuit in relation to tax.

## 25. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2018	2017
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

	<u>For the Year Ended December 31</u>	
	2018	2017
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 issue 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 Company offered to settle compensation or bonuses paid to employees in cash or shares, the Company 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.

## 26. CASH FLOWS INFORMATION

### a. Non-cash transaction

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

As of December 31, 2018 and 2017, the unsettled payments for the acquisition of property, plant and equipment were \$268 thousand and \$1,138 thousand, respectively, which were recorded as other payables in the financial statements.

### b. Changes in liabilities arising from financing activities

For the year ended December 31, 2018

	<b>Operating Beginning</b>	<b>Cash Flow</b>	<b>Closing Balance</b>
Short-term borrowings	<u>\$ 15,000</u>	<u>\$ (15,000)</u>	<u>\$ -</u>

## 27. OPERATING LEASE ARRANGEMENTS

### The Company as Lessee

Operating leases relate to leases of buildings and transportation. The Company does not have a bargain purchase option to acquire the leased land and 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	\$ 564	\$ 1,185
Later than 1 year and not later than 5 years	<u>-</u>	<u>902</u>
	<u>\$ 564</u>	<u>\$ 2,087</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>\$ 1,803</u>	<u>\$ 1,989</u>

## 28. CAPITAL MANAGEMENT

The Company manages its capital to ensure that entities in the Company 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 Company consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Company (comprising issued capital, capital surplus, retained earnings, and other equity).

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

Key management personnel of the Company 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 Company may adjust the amount of new debt issued or existing debt redeemed.

## 29. FINANCIAL INSTRUMENTS

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

#### December 31, 2018

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

#### December 31, 2017

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

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

	<u>December 31</u>	
	2018	2017
<u>Financial assets</u>		
Financial assets at FVTPL		
Held for trading	\$ -	\$ 56
Held-to-maturity investments	-	11,907
Loans and receivables (Note 1)	-	429,292
Financial assets at amortized cost (Note 2)	387,566	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (Note 3)	55,909	77,724

Note 1: The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investment with no active market-current, notes receivable, trade receivables, trade receivables from related parties, other receivables, other receivables from related parties, other financial assets-current and refundable deposits.

Note 2: The balances include financial assets measured at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, trade receivables from related parties, other receivables, others receivables from related parties (except for tax refund receivable), other financial assets-current, financial assets at amortized cost-non-current and refundable deposits.

Note 3: The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade payables, trade payables to related parties, 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 annual leaves and payable for retirement.)

d. Financial risk management objectives and policies

The Company's major financial instruments include cash and cash equivalents, trade receivables, trade payables and borrowings. The Company's financial department 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 Company 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 Company'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 Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other prices (see (c) below).

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

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) exposing the Company to foreign currency risk at the end of the reporting period are set out in Note 32.

Sensitivity analysis

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

The following table details the Company's sensitivity to a 5% increase and decrease in the New Taiwan dollar (the functional currency) 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 New Taiwan dollar weakens 5% against the relevant currency. For a 5% strengthening of the New Taiwan dollar 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	\$ 4,030	\$ 10,423	\$ 4,246	\$ 2,856

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

b) Interest rate risk

The carrying amount of the Company'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	\$ 141,104	\$ 185,670
Cash flow interest rate risk		
Financial assets	107,640	106,667
Financial liabilities	-	15,000

Sensitivity analysis

The sensitivity analysis below was determined based on the Company'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 1% basis point higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$1,076 thousand and \$917 thousand, respectively, which would have been mainly attributable to the Company's exposure to interest rates on its floating-rate bank deposits and floating-rate bank loan.

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

c) Other price risk

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

Sensitivity analysis

The Company'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 Company. As at the end of the reporting period, the Company's maximum exposure to credit risk, which would cause a financial loss to the Company due to a failure of counterparties to discharge an obligation, pertains to financial assets recognized in the balance sheets.

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

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

### 3) Liquidity risk

The Company manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Company'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 Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2018 and 2017, the Company had available unutilized bank loan facilities set out in (b) below.

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

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The table includes both 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>
Non-derivative financial <u>liabilities</u>					
Variable interest rate liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Non-interest bearing	<u>8,893</u>	<u>47,016</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,893</u>	<u>\$ 47,016</u>	<u>\$ -</u>	<u>\$ -</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	\$ 15,000	\$ -	\$ -	\$ -	\$ -
Non-interest bearing	<u>10,619</u>	<u>52,105</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 25,619</u>	<u>\$ 52,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

b) Loan commitments

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Unsecured loan commitment		
Amount used	\$ -	\$ 15,000
Amount unused	<u>200,000</u>	<u>185,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

### 30. TRANSACTIONS WITH RELATED PARTIES

Besides information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related party name and category

<b>Related Party Name</b>	<b>Relationship with the Company</b>
Fine Automation Co., Ltd.	Subsidiary
Aplus Finetek Sensor Inc.	Subsidiary
Finetek Pte., Ltd.	Subsidiary
Finetek GmbH	Subsidiary
Mutec Instruments GmbH	Subsidiary
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)

b. Revenue

Line Item	Related Party Category/Name	For the Year Ended December 31	
		2018	2017
Sales revenue	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 229,616	\$ 239,073
	Aplus Finetek Sensor Inc.	109,470	92,621
	Others	19,119	22,947
	Related party in substance	<u>897</u>	<u>-</u>
		<u>\$ 359,102</u>	<u>\$ 354,641</u>

The Company's selling prices for the related parties are based on regional market basis or markup pricing 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 30 to 120 days after the end of the month, respectively.

On December 31, 2018 and 2017, the unrealized gains on transactions with subsidiaries were \$24,545 thousand and \$16,380 thousand, respectively.

c. Purchases of goods

Related Party Category	For the Year Ended December 31	
	2018	2017
Subsidiaries	<u>\$ 15,965</u>	<u>\$ 13,514</u>

The Company's purchase prices from the related parties are based on regional market basis and cost-plus pricing basis. The prices to third parties are reference to negotiated price. Purchase payment terms are the same as those for unrelated parties.

d. Receivables from related parties (excluding loans to related parties)

Line Item	Related Party Category/Name	December 31	
		2018	2017
Trade receivables	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 41,087	\$ 42,291
	Aplus Finetek Sensor Inc.	9,299	13,343
	Others	<u>2,037</u>	<u>5,652</u>
		<u>\$ 52,423</u>	<u>\$ 61,286</u>
Other receivables	Subsidiaries		
	Fine Automation Co., Ltd.	\$ 157	\$ 145
	Others	<u>7</u>	<u>75</u>
		<u>\$ 164</u>	<u>\$ 220</u>

The outstanding trade receivables from related parties were unsecured. For the years ended December 31, 2018 and 2017, no impairment loss was recognized on trade receivables from related parties.

- e. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category	December 31	
		2018	2017
Trade payables	Subsidiaries	\$ 3,298	\$ 1,816

The outstanding trade payables from related parties are unsecured.

- f. 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	\$ -	\$ 1,500
Other gains and losses - receipts of payments under custody	Subsidiaries	\$ 761	\$ 803
Other gains and losses - receipts of payments under custody	Related party in substance	205	-
		<u>966</u>	<u>803</u>

- g. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 13,626	\$ 14,045
Post-employment benefit	<u>298</u>	<u>315</u>
	<u>\$ 13,924</u>	<u>\$ 14,360</u>

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

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

The following assets were provided as collateral for government grants projects:

	December 31	
	2018	2017
Pledged bank deposit (classified as other financial asset - current)	\$ 11,454	\$ 4,908

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

The following information was aggregated by the foreign currencies other than functional currencies of the Company and the exchange rates between foreign currencies and New Taiwan dollars. The significant financial assets and liabilities denominated in foreign 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>
RMB	19,511	4.472 (RMB:NTD)	<u>\$ 87,255</u>
Non-monetary items			
Investments accounted for using the equity method	20,613	30.715 (USD:NTD)	<u>\$ 633,132</u>
<u>Financial liabilities</u>			
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>
RMB	12,763	4.565 (RMB:NTD)	<u>\$ 58,130</u>
Non-monetary items			
Investments accounted for using the equity method	18,058	29.760 (USD:NTD)	<u>\$ 537,411</u>
<u>Financial liabilities</u>			
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 gains (losses) were \$1,023 thousand and \$(16,357) 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 Company.