

## ORANGE ELECTRONIC CO., LTD

## BALANCE SHEETS

December 31, 2018 and 2017  
( Express in Thousand New Taiwan Dollars )

Assets	Notes	December 31, 2018		December 31, 2017	
		Amount	%	Amount	%
Current assets					
Cash and cash equivalents	4,6(1)	\$195,225	39	\$159,385	28
Notes receivable, net	4,5	298	-	635	-
Accounts receivable, net	4,5,6(2)	20,325	4	34,237	6
Receivables from related parties	4,6(2),7	76,211	15	136,845	24
Other receivables		401	-	536	-
Other receivables from related parties	7	35,395	7	9,958	2
Inventories	4,5,6(3)	86,918	17	90,143	16
Other current assets		7,693	2	4,006	1
Total current assets		<u>422,466</u>	<u>84</u>	<u>435,745</u>	<u>77</u>
Non-current assets					
Investments accounted for under the equity method	4,6(4)	3,740	1	37,056	7
Property, plant and equipment	4,6(5),7	53,399	11	47,806	9
Other intangible assets	4	1,614	-	2,446	-
Deferred tax assets	4,6(20)	7,447	1	7,489	1
Other non-current assets	4,6(6),8	17,593	3	33,036	6
Total non-current assets		<u>83,793</u>	<u>16</u>	<u>127,833</u>	<u>23</u>
Total assets		<u>\$506,259</u>	<u>100</u>	<u>\$563,578</u>	<u>100</u>

(Continued)

(In the event that there is any discrepancy between the Chinese and English versions of this opinion and financial statements, the Chinese version shall prevail.)

## ORANGE ELECTRONIC CO., LTD

## BALANCE SHEETS(Continued)

December 31,2018 and 2017

( Express in Thousand New Taiwan Dollars )

Liabilities and Equity	Notes	December 31,2018		December 31,2017	
		Amount	%	Amount	%
Current liabilities					
Short-term loan	4,6(7)	\$ -	-	\$10,000	2
Contract Liability-current		5,946	1	-	-
Accounts payable		30,507	6	46,849	8
Other payables	4,6(8),7	54,364	11	67,053	12
Current tax liabilities	4,5,6(20)	2,908	1	5,813	1
Provisions-current	4,5,6(11)	2,330	-	3,375	1
Current Portion of Long-term Debt	4,6(4),7	6,390	1	2,928	-
Other current liabilities	4,6(9)	13,710	3	10,040	2
Total current liabilities		<u>116,155</u>	<u>23</u>	<u>146,058</u>	<u>26</u>
Non-current liabilities					
Long-term loans	4,6(9)	417	-	8,710	1
Provisions-non current	6(11)	2,635	1	3,018	1
Other non-current liabilities	4,5	4,459	1	108	-
Total non-current liabilities		<u>7,511</u>	<u>2</u>	<u>11,836</u>	<u>2</u>
Total liabilities		<u>123,666</u>	<u>25</u>	<u>157,894</u>	<u>28</u>
Equity attributable to the parent company					
Capital					
Common stock	4,6(13)	213,749	42	213,749	38
Additional Paid-in Capital	4,6(13)	170,884	34	170,884	30
Retained earnings					
Legal reserve	6(13)	22,421	4	24,461	4
Special reserve	6(13)	3,182	1	3,182	1
Unappropriated earnings		(23,298)	(5)	(2,040)	-
Subtotal		<u>2,305</u>	<u>-</u>	<u>25,603</u>	<u>5</u>
Other components of equity					
Exchange differences on translation of foreign operations		(4,345)	(1)	(4,552)	(1)
Total equity		<u>382,593</u>	<u>75</u>	<u>405,684</u>	<u>72</u>
Total liabilities and equity		<u>\$506,259</u>	<u>100</u>	<u>\$563,578</u>	<u>100</u>

(The accompanying notes form an integral part of the consolidated financial statements)

(In the event that there is any discrepancy between the Chinese and English versions of this opinion and financial statements, the Chinese version shall prevail.)

ORANGE ELECTRONIC CO., LTD

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2018 and 2017

( Express in Thousand New Taiwan Dollars )

Items	Notes	2018		2017	
		Amount	%	Amount	%
Operating revenues	4,5,6(14),7	\$358,209	100	\$466,073	100
Operating costs	6(3)	(220,641)	(62)	(311,741)	(67)
Gross profit		137,568	38	154,332	33
REALIZED (UNREALIZED) GROSS PROFIT ON SALES TO SUBSIDIARIES AND ASSOCIATES		(4,615)	(1)	(204)	-
Gross profit-net		132,953	37	154,128	33
Operating expenses	6(17),7				
Sales and marketing expenses		(42,961)	(12)	(62,331)	(13)
General and administrative expenses		(29,739)	(8)	(36,744)	(8)
Research and development expenses		(53,512)	(15)	(66,137)	(14)
Expected Credit Losses	6(16)	(2,559)	(1)	-	-
Total operating expenses		(128,771)	(36)	(165,212)	(35)
Operating income		4,182	1	(11,084)	(2)
Non-operating income and expenses	4,6(18)				
Other income		3,540	1	6,618	1
Other gains and losses		2,353	1	(8,663)	(2)
Finance costs		(511)	-	(354)	-
Share of profit or loss of associates and joint ventures	4,6(4)	(33,259)	(9)	(20,595)	(4)
Total non-operating income and expenses		(27,877)	(7)	(22,994)	(5)
Income before income tax		(23,695)	(6)	(34,078)	(7)
Income tax expense	4,5,6(20)	397	-	(487)	-
Net income		(23,298)	(6)	(34,565)	(7)
Other comprehensive income (loss)	6(19)				
Exchange differences on translation of foreign operations		207	-	(1,369)	-
Total other comprehensive loss, net of tax		207	-	(1,369)	-
Total comprehensive income		\$(23,091)	(6)	\$(35,934)	(7)
Earnings per share (NTD)	6(21)				
Earnings per share-basic		\$(1.09)		\$(1.62)	
Earnings per share-diluted		\$(1.09)		\$(1.62)	

(The accompanying notes form an integral part of the consolidated financial statements)

(In the event that there is any discrepancy between the Chinese and English versions of this opinion and financial statements, the Chinese version shall prevail.)

ORANGE ELECTRONIC CO., LTD AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017  
(Expressed in Thousands of New Taiwan Dollars)

Items	Notes	Equity Attributable to the Parent Company								Total Equity
		Capital		Additional Paid-in Capital		Retained earnings			Other components of equity	
		Common stock	Collected in Advance	Common stock	Employee stock option	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	
Balance as of January 1, 2017		\$212,089	\$410	\$167,608	\$1,526	\$21,400	\$358	\$55,510	\$(3,183)	\$455,718
Appropriation and distribution of 2016 retained	6(13)									
Legal reserve						3,061		(3,061)		-
Special reserve							2,824	(2,824)		-
Cash dividends								(17,100)		(17,100)
Net income in 2017								(34,565)		(34,565)
Other comprehensive income (loss), net of tax in	6(19)								(1,369)	(1,369)
Total comprehensive income (loss)		-	-	-	-	-	-	(34,565)	(1,369)	(35,934)
Share-based payment transaction	4,5,6(12)	1,660	(410)	2,937	(1,187)					3,000
Balance as of December 31, 2017		\$213,749	\$-	\$170,545	\$339	\$24,461	\$3,182	\$(2,040)	\$(4,552)	\$405,684
Balance as of January 1, 2018		\$213,749	\$-	\$170,545	\$339	\$24,461	\$3,182	\$(2,040)	\$(4,552)	\$405,684
Appropriation and distribution of 2017 retained										
Legal Reserve for compensating the deficit						(2,040)		2,040		-
Net loss in 2018								(23,298)		(23,298)
Other comprehensive income (loss), net of tax in									207	207
Total comprehensive income (loss)	6(13)	-	-	-	-	-	-	(23,298)	207	(23,091)
Balance as of December 31, 2018	6(19)	\$213,749	\$-	\$170,545	\$339	\$22,421	\$3,182	\$(23,298)	\$(4,345)	\$382,593

(The accompanying notes form an integral part of the consolidated financial statements)

ORANGE ELECTRONIC CO., LTD

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

( Express in Thousand New Taiwan Dollars )

Items	Notes	2018	2017
Cash flows from operating activities:			
Net income before tax		\$ (23,695)	\$ (34,078)
Adjustments to reconcile net income before tax to net cash provided by operating activities:			
Income and expense adjustments:			
Depreciation		16,729	15,299
Amortization		1,582	1,571
Bad debt expenses (reversal)		-	(1,675)
Expected Credit Losses		2,559	-
Interest expense		511	354
Interest revenue		(335)	(252)
Provision (Reversal of allowance) for inventory market price decline		(2,648)	6,755
Share of loss (profit) of associates and joint ventures		33,259	20,595
Loss on disposal of property, plant and equipment		(58)	(78)
Loss (gain) on disposal of investments accounted for using equity method, net		4,615	204
Changes in operating assets and liabilities:			
Notes receivable and accounts receivable		11,690	26,907
Receivables from related parties		60,634	(35,096)
Other receivables		(25,302)	5,170
Inventories		5,873	64,978
Other current assets		(3,687)	1,615
Other noncurrent assets		10,511	(4,100)
Contract Liability-current		5,946	-
Accounts payable		(16,342)	(16,726)
Other payables		(12,806)	2,214
Provisions-current		(1,045)	534
Other current liabilities		3,462	(2,675)
Provisions-non current		(383)	(1,042)
Cash generated from operations		71,070	50,474
Interest received		335	252
Income tax paid		(2,466)	(5,568)
Interest paid		(535)	(329)
Net cash provided by (used in) operating activities		68,404	44,829

(In the event that there is any discrepancy between the Chinese and English versions of this opinion and financial statements, the Chinese version shall prevail.)

ORANGE ELECTRONIC CO., LTD

STATEMENTS OF CASH FLOWS(Continued)

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

Items	Notes	2018	2017
Cash flows from investing activities:			
Investments accounted for using equity method		-	(31,960)
Acquisition of property, plant and equipment		(9,154)	(5,262)
Proceeds from disposal of property, plant and equipment		88	1,391
Increase in other intangible assets		(750)	(55)
Prepayments for equipment		(8,385)	(11,366)
Increase in refundable deposits		260	708
Net cash used in investing activities		<u>(17,941)</u>	<u>(46,544)</u>
Cash flows from financing activities:			
Increase in short-term loans		(10,000)	10,000
Increase in long-term loans		10,000	10,000
Decrease in long-term loans		(14,623)	(1,250)
Cash dividends		-	(17,100)
Employee stock option		-	3,000
Net cash provided by financing activities		<u>(14,623)</u>	<u>4,650</u>
Net increase in cash and cash equivalents		35,840	2,935
Cash and cash equivalents at beginning of period		159,385	156,450
Cash and cash equivalents at end of period	6(1)	<u>\$195,225</u>	<u>\$159,385</u>

(The accompanying notes form an integral part of the consolidated financial statements)

(In the event that there is any discrepancy between the Chinese and English versions of this opinion and financial statements, the Chinese version shall prevail.)

## **Independent Auditors' Report (Translated from Chinese)**

The Board of Directors and Shareholders  
Orange Electronic Co., Ltd.

### **Opinion**

We have audited the accompanying parent company only financial statements of Orange Electronic Co., Ltd. (the "Company") ,which comprise the parent company only balance sheets as of December 31, 2018, and 2017, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including the summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the years ended December 31, 2018 and 2017, in conformity 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 Parent Company Only 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 (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits and the reports of other auditor(s), we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

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

### Liabilities of Products Warranty

As of December 31, 2018, the Group's liabilities of products warranty amounted to NT\$4,965 thousand which represented 4% of the Company's liabilities. The liabilities includes expected customer service cost and sales return in the future, it is calculated based on 0.5% of the total sales amount in the 24 months prior to the financial report date. The management estimated the liabilities of product warranty based on historical experiences of product defect. The determination of the liabilities of products warranty involved a high level of management judgment, and were subject to uncertainty due to the percentage of product defect. As such, we determined this to be a key audit matter. Our audit procedures included, but not limited to, obtaining the assessment form of liabilities of warranty reviewing the historical experience assessment or contract on which the rating of the warranty policy is based, evaluating the adequacy of accounting policy of product warranty Re-calculating and verifying the correctness of amount of liabilities at the end of year which estimated by management assessing the adequacy of disclose the nature of accounting estimates in change and the amount. We also assessed the adequacy of disclosures of financial assets. Please refer to Notes 5 and 6 to the Group's consolidate financial statements.

### Valuation for inventories

As of December 31, 2018, the Group's net inventories amounted to NT\$86,918 thousand which represented 17% of the total consolidated assets. The amount of inventories was significant to the Group's financial statements. Orange Electronic Co., Ltd. and subsidiaries manufacture and sell varies of TPMS (Tire-Pressure Monitoring System). The determination of the provisions for obsolete inventories involved a high level of management judgment, and were subject to uncertainty due to product diversity. As such, we determined this to be a key audit matter. Our audit procedures included, but were not limited to: understanding and testing the design and operating effectiveness of internal control over inventory costing and provision; verifying the existence and completeness by tracing items on the final inventory listing to the physical inventory compilation; verifying that inventories were valued at the lower of cost or net realizable value by comparing the book value of inventories at the balance sheet date with recent sales price on selected samples; obtaining inventory aging schedule to test whether inbound and outbound records are accurate; re-calculating the unit cost of inventories; and evaluating and testing net realized value adopted by management. We also assessed the adequacy of the disclosures related to inventories in Notes 5 and 6.

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee



as endorsed by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error. In preparing the parent company only financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

### **Auditor's Responsibilities for the Audit of the Parent Only Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the accompanying notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young, Taiwan  
March 11, 2019

ORANGE ELECTRONIC CO.,LTD.

Notes to Parent Company Only Financial Statements

For the Years Ended 31 December 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars Unless Otherwise Specified)

1. HISTORY AND ORGANIZATION

ORANGE ELECTRONIC CO.,LTD. (“the Company”) was incorporated on January 2005. Main operating is manufacture and sales telecommunication equipment and apparatus, restrained telecom radio frequency equipments and materials and automobiles and parts.

The Company was approved public offering by Securities and Futures Bureau in June 2014, and it's shares have been traded on the Taipei Exchange(for over-the-counter trading in Taiwan) on August 5,2016.The Company's registered office and the main business location is at 5F, No.29 Keya Rd. Central Taiwan Science Park, Taichung 42881,Taiwan.

2. DATE AND PROCEDURES OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements of the Company for the years ended December 31, 2018 and 2017 were authorized for issue by the Company's board of directors (the Board) on March 11, 2019.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

① IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. In accordance with the transition provision in IFRS 15, the Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (1 January 2018).The Company also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Company's principal activities consist of the sale of goods and rendering of services. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows:

- A. Please refer to Note 4 for the accounting policies before 1 January 2018 and after the date.
- B. Before 1 January 2018, revenue from the sale of goods was recognized when goods have been delivered to the buyer. Starting from 1 January 2018, in accordance with IFRS 15, the Company recognized revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company's revenue recognition from the sale of goods.
- C. For some rendering of services contracts, part of the consideration was received from customers upon signing the contract, then the Company has the obligation to provide the services subsequently. Before 1 January 2018, the Company recognized the consideration received in advance from customers under other current liabilities. Starting from 1 January 2018, in accordance with IFRS 15, it should be recognized as contract liabilities. The amount reclassified from other current liabilities to contracts liabilities of the Company as at the date of the initial application was NT\$1,794 thousand. In addition, compared with the requirements of IAS 18, other current liabilities decreased by NT\$5,946 thousand and the contract liabilities increased by NT\$5,946 thousand as at 31 December 2018.
- D. Please refer to Notes 4, 5 and 6 for additional disclosure notes required by IFRS 15.

## ② IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. In accordance with the transition provision in IFRS 9, the Company elected not to restate prior periods at the date of initial application (1 January 2018). The adoption of IFRS 9 has the following impacts on the Company:

- A. The Company adopted IFRS 9 on 1 January 2018 and it adopted IAS 39 before 1 January 2018. Please refer to Note 4 for more details on accounting policies.
- B. In accordance with the transition provision in IFRS 9, the assessment of the business model and classification of financial assets into the appropriate categories are based on the facts and circumstances that existed as at 1 January 2018. The classifications of financial assets and its carrying amounts as at 1 January 2018 are as follows:

IAS 39		IFRS 9	
Measurement categories	Carrying amounts	Measurement categories	Carrying amounts
At amortized cost		At amortized cost (including	\$341,596
Loans and receivables (including cash and cash equivalents, notes receivables, trade receivables and other receivables)	\$341,596	cash and cash equivalents, notes receivables, trade receivables and other receivables)	
Total	<u>\$341,596</u>	Total	<u>\$341,596</u>

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

IAS 39		IFRS 9			Retained earnings	Other components of equity
Class of financial instruments	Carrying amounts	Class of financial instruments	Carrying amounts	Difference	Adjustment	Adjustment
Loans and receivables(Note)						
Cash and cash equivalents	\$159,385	Cash and cash equivalents	\$159,385	\$-	\$-	\$-
Notes receivables	635	Notes receivables	635	-	-	-
Trade receivables	171,082	Trade receivables	171,082	-	-	-
Other receivables	10,494	Financial assets measured at amortized costs	10,494	-	-	-
Total	<u>\$341,596</u>	Total	<u>\$341,596</u>		<u>\$-</u>	<u>\$-</u>

Notes: In accordance with IAS 39, the cash flow characteristics for held-to-maturity investments and loans and receivables are solely payments of principal and interest on the principal amount outstanding. The assessment of the business model is based on the facts and circumstances that existed as of 1 January 2018. These financial assets were measured at amortized cost as they were held within a business model whose objective was to hold financial assets in order to collect contractual cash flows. Besides, in accordance with IFRS 9, there was no adjustment arising from the assessment of impairment losses for the aforementioned assets as at 1 January 2018.

D. Other influence

The Company adopted IFRS 9 on 1 January 2018 and there was no adjustment arising from of adopting the Investments accounted for using the equity method and retained earnings.

E. Please refer to Notes 4, 5, 6 and 12 for the related disclosures required by IFRS 7 and IFRS 9.

③ IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

The Company originally recorded their foreign currency sales transactions based on the exchange rate on the date of revenue recognition and converted into its functional currency. The exchange difference was recognized when the foreign currency advance payment was written off. The Company elected to apply this

interpretation prospectively on 1 January 2018. This change in accounting principle did not significantly impact the Company's recognition and measurement.

④ Disclosure Initiative —Amendment to IAS 7 “Statement of Cash Flows”:

The amendments relate to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. Please refer to Note 12.for more details.

- (2) Standards or interpretations issued, revised or amended, by International Accounting Standards Board ( IASB ) which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below:

Items	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS 16“Leases”	1 January 2019
b	IFRIC 23“Uncertainty Over Income Tax Treatments”	1 January 2019
c	IAS 28 Investments in Associates and Joint Ventures Amendments to IAS28	1 January 2019
d	Prepayment Features with Negative Compensation (Amendments to IFRS9)	1 January 2019
e	Improvements to International Financial Reporting Standards (2015 2017 cycle)	1 January 2019
f	Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	1 January 2019

① IFRS 16 “Leases”

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

- A. In accordance with the requirements of IFRS 16lessee and less or more extensive disclosure would be made.

② IFRIC 23 “Uncertainty Over Income Tax Treatments”

The Interpretation clarifies the application of recognition and measurement requirements in IAS 12 “Income Taxes” when there are uncertainty over income tax treatments.

③ IAS 28“Investment in Associates and Joint Ventures”—Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9,does not take

account of any adjustments that arise from applying IAS 28.

④ Prepayment Features with Negative Compensation (Amendments to IFRS9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income.

⑤ 2015-2017 Improvements to International Financial Reporting Standards:

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally those past transactions or events.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale.

⑥ Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset.

The abovementioned standards and interpretations issued by IASB have been endorsed by FSC and begin from January 1st, 2019 apply new issuance, revision, and amendment. The Company will illustrate the impact below except mentioned ① As the Company is still currently determining the potential impact of the ①, standards, and interpretations, it is not practicable to estimate their impact on the Company at this point in time.

① IFRS 16 “Leases”

IFRS 16 “Leases” replaces IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases- Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”. The impact arising from the adoption of IFRS16 on the Company are summarized as follows:

- A. For the definition of a lease, the Company elects not to reassess whether a contract is, or contains, a lease at the date of initial application (1 January 2019) in accordance with the transition provision in IFRS16. Instead, the Company is permitted to apply IFRS16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC4.

The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16. Instead, the Company recognizes the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

(a) Leases classified as operating leases

For leases that were classified as operating leases applying IAS 17, the Company expects to measure and recognize those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate on 1 January 2019 and ; the Company chooses, on a lease-by-lease basis, to measure the right-of-use asset at either :

- i. its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate on 1 January 2019 ; or
- ii. an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

The Company expects the right-of-use asset will increase by NT\$42,955 and the lease liability will increase by NT\$42,955 on 1 January 2019.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC are listed below :

Item	New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB
a	IFRS10 "Consolidated Financial Statements" and ISA 28 "Investments in Associates and Joint Ventures"- Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2021
c	Definition of a Business (Amendments to IFRS 3)	1 January 2020
d	Definition of Materiality (Amendments to IAS1 and 8)	1 January 2020

① IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"— Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is



contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

## ② IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfillment cash flows and the contractual service margin. The fulfillment cash flows comprise of the following:

- A. Estimates of future cash flows;
- B. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- C. A risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model :

- (A. The standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and
- B. A simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

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

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

## ④ Definition of a Material (Amendments to IAS 1 and 8)

The main amendment is to clarify new definition of material. It states that

“information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on basis of those financial statements, which provide financial information about a specific reporting entity.”The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the ①standards and interpretations, it is not practicable to estimate their impact on the Group at this point in time.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (1)Statement of Compliance

The parent company only financial statements of the Company for the years ended December 31, 2018 and 2017 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”).

##### (2)Basis of Preparation

The Company prepared the parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, investment in subsidiaries was presented in the parent company only financial statements as “Investments accounted for using equity method” and made necessary adjustments.

The parent company only financial statements have been prepared on historical cost basis, except for financial instruments that are measured at fair values. The parent company only financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

##### (3)Foreign Currency Transactions

The company’s consolidated financial statements are presented in NT\$, which is also the Company’s functional currency. Each entity in the company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the company's entities at their respective functional currency rates prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate of exchange ruling at the reporting date. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- ① Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- ② Foreign currency items within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are accounted for based on the accounting policy for financial instruments.
- ③ Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a nonmonetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

#### (4) Translation of financial statements in foreign currency

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

When the partial disposal involves the loss of control of a subsidiary that includes a foreign operation; and When the retained interest after the partial disposal of an interest in a joint arrangement or a partial disposal of an interest in an associate that includes a foreign operation is a financial asset that includes a foreign operation. On

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

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

#### (5) Current and non-current distinction

An asset is classified as current when:

- ① The company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- ② The company holds the asset primarily for the purpose of trading
- ③ The company expects to realize the asset within twelve months after the reporting period
- ④ The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- ① The company expects to settle the liability in its normal operating cycle
- ② The company holds the liability primarily for the purpose of trading
- ③ The liability is due to be settled within twelve months after the reporting period
- ④ The company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

#### (6) Cash and cash equivalents

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

#### (7) Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities within the scope of IFRS 9 Financial Instruments (Before 1 January 2018: IAS 39 Financial Instruments: Recognition and Measurement) are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

① Financial instruments: Recognition and Measurement

The accounting policy from 1 January 2018 is as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

The Company classified financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss considering both factors below:

- A. the Company's business model for managing the financial assets
- B. the contractual cash flow characteristics of the financial asset

Financial assets measured at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, trade receivables financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

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

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization processor in order to recognize the impairment gains or losses.

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

- A. Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
- B. Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those

financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in the subsequent reporting period.

#### Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- A. the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- B. the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Recognition of gain or loss on a financial asset measured at fair value through other comprehensive income are described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income ,except for impairment gains or losses and foreign exchange gains and losses , until the financial asset is derecognized or reclassified.
- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:
  - (a) Purchased or originated credit-impaired financial assets. For those financial assets, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.
  - (b) Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Company applies the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

In addition, for certain equity investments within the scope of IFRS 9 that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, the Company made an irrevocable election to present the changes of the fair value in other comprehensive income at initial recognition. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss (when disposal of such equity instrument, its cumulated amount included in other components of equity is transferred directly to the retained-earnings) and these investments should be presented as financial assets measured at fair value through other comprehensive income on the balance sheet. Dividends on such investment are recognized in profit or loss unless the dividends clearly represent a recovery of part of the cost of investment.

### Financial asset measured at fair value through profit or loss

Financial assets were classified as measured at amortized cost or measured at fair value through other comprehensive income based on aforementioned criteria. All other financial assets were measured at fair value through profit or loss and presented on the balance sheet as financial assets measured at fair value through profit or loss.

Such financial assets are measured at fair value, the gains or losses resulting from remeasurement is recognized in profit or loss which includes any dividend or interest received on such financial assets.

### The accounting policy from 1 January 2018 is as follows:

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition.

### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets as at fair value through profit or loss. A financial asset is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term.
- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid(combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency;  
or
- B. A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including

those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Available-for-sale financial assets

Available-for-sale investments are non-derivative financial assets that are designated as available-for-sale or those not classified as financial assets at fair value through profit or loss, held-to-maturity financial assets, or loans and receivables.

Foreign exchange gains and losses and interest calculated using the effective interest method relating to monetary available-for-sale financial assets, or dividends on an available-for-sale equity instrument, are recognized in profit or loss. Subsequent measurement of available-for-sale financial assets at fair value is recognized in equity until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss.

If equity instrument investments do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity, other than those that are designated as available-for-sale, classified as financial assets at fair value through profit or loss, or meet the definition of loans and receivables.

After initial measurement held-to-maturity, financial assets are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or debt instrument investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost



using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

② Impairment of financial assets

The accounting policy from 1 January 2018 is as follows:

The Company recognizes a loss allowance for expected credit losses on debt instruments investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in away that reflects:

- A. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- B. The time value of money
- C. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.
- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15

The Company measures the loss allowance at an amount equal to lifetime expected credit losses. At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note 12 for further details on credit risk.

The accounting policy before 1 January 2018 is as follows:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if,

there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- A. Significant financial difficulty of the issuer or obligor
- B. A breach of contract, such as a default or delinquency in interest or principal payments
- C. It becoming probable that the borrower will enter bankruptcy or other financial reorganization
- D. The disappearance of an active market for that financial asset because of financial difficulties

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If in a subsequent year, the fair value of

a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

### ③Derecognition of financial assets

A financial asset is derecognized when:

- A. The rights to receive cash flows from the asset have expired
- B. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- C. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss that had been recognized in other comprehensive income, is recognized in profit or loss.

### ④Financial liabilities and equity

#### Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Financial liabilities

Financial liabilities within the scope of IFRS9 Financial Instruments (before 1 January 2018: IAS39 Financial Instruments: Recognition and Measurement) are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. A financial liability is classified as held for trading if:

- A. It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term

- B. On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- C. It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument)

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. It eliminates or significantly reduces a measurement or recognition inconsistency
- B. A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Before 1 January 2018, if the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as of the reporting date.

#### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### ⑤ Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (8) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Work in process and finished goods— Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs. Finished goods and work in process are accounted under the weighted average method

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (9) Investments accounted for under the equity method

The Company prepared parent company only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent company only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent company only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using the equity method and, accordingly, made necessary adjustments. The adjustments took into consideration how the subsidiaries should be accounted for in accordance with IFRS 10 and the different extent to each reporting entity IFRS applies. The adjustments are made by debiting or crediting “Investments accounted for under the equity method”, “share of profit or loss of associates and joint ventures accounted for under equity method”, and “share of other comprehensive income of associates and joint ventures accounted for using the equity method”.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance

sheet at cost and adjusted thereafter for the post-acquisition change in the Company's share of net assets of the associate. After the interest in the associates reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company's related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company's percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a pro-rata basis.

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

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

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 28 Investment in Associates and Joint Ventures.(before 1 January 2018 it adopted IAS 39) If this is the case the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the 'share of profit or loss of an associate' in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- ① Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- ② The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and

recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

#### (10) Property, plant and equipment

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

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

<u>Items</u>	<u>Useful Lives</u>
Machinery and equipment	5~10 years
Transportation equipment	8 years
Leasehold improvements	5~10 years
Mould equipment	1~ 2 years
Other Equipment	5~10 years

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

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

#### (11) Leases

##### Company as a lessee

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

## (12) Intangible assets

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

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

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

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

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

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

	<u>Computer software</u>
Useful lives	2~5 years
Amortization method used	Amortized on a straight- line basis
Internally generated or acquired	Acquired

## (13) Impairment of Non-financial Assets

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



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

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

#### (14) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the obligation arises over a period of time, the public class payment liability is gradually recognized.

##### Provisions for warranty

The Company is based on the customer's past repair warranty experience and is estimated based on the estimated cost of customer complaints and returns in the future. The accounting estimate is based on 0.5% of the total net sales for the 24 months before the end date of each reporting period. The liability expected to be settled within 12 months after the reporting period is classified as current liabilities, otherwise, are classified as non-current liabilities.

##### Sales returns and allowances

Starting from 1 January 2018, sales returns and allowances are accounted in accordance with IFRS 15. Before 1 January 2018, a provision has been recognized for sales returns and allowances based on past experience and other known factors.

#### (15) Treasury shares

The Company redeems stocks had been issued as treasury shares which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(16) Revenue recognition

The accounting policy from 1 January 2018 is as follows:

The Company's revenue arising from contracts with customers are primarily related to sale of goods and rendering of services. The accounting policies are explained as follows:

Sale of goods

The Company manufactures and sells machinery. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main product of the Group is tire pressure monitoring system and revenue is recognized based on the consideration stated in the contract might be usually accompanied by a quantity discount ( based on total volume in a specific period). Therefore revenue is computed based on the contract price and minus the amount of quantity discount. The Group estimates an expected value of quantity discount based on historical experiences, but the expected value is variable and uncertain. When the requirement of quantity discount could not be reached, the accumulated amount should be revised due to it would not occur with high possibility. During the specific period, the expected quantity is also relatively recognized as a refund liabilities (classified to other current liabilities).

The Company product warranty policy is to assure the goods could operate well as the same with customers' expectation, and deals the matter of product warranty in accordance with ISA 37.

The credit period of the Company's sale of goods is from 30 to 120 days. For most of the contracts, when the Company transfers the goods to customers and has a right to an amount of consideration that is unconditional, these contracts are recognized as trade receivables. The Company usually collects the payments shortly after transfer of goods to customers; therefore, there is no significant financing component to the contract.

The aforementioned contractual liabilities usually recognize as revenue within one year, and it would not be treated as a significant financial component.

The accounting policy before 1 January 2018 is as follows:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions have been satisfied: the significant risks and rewards of ownership of the goods have transferred to the buyer; neither continuing managerial involvement nor effective

control over the goods sold has been retained; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the entity; and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Interest income

For all financial assets measured at amortized cost (including loans and receivables), interest income is recorded using the effective interest rate method and recognized in profit or loss.

#### (17) Borrowing cost

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

#### (18) Post-employment benefits

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

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

#### (19) Share-based payment transactions

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

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

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

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

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

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

## (20) Income Tax

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

### Current income tax

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

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred income tax

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

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

①Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nontaxable profit or loss

②In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

①Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

②In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying the number of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

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

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's consolidated financial statements require management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

## (1) Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

### ① Valuation of Inventory

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

These estimates are based on current market conditions and historical sales of similar product. The change in market assessment may have significant impact on the result. Please refer to Note 6.(3) for more details.

### ② Provisions-For warranty

The product warranty liability is based on the customer's contract for the sale of goods, and the management does the best estimate of the future out of corporate resources (ie, economic efficiency) as a result of product warranty obligations (based on historical warranty experience) as a warranty liability. The product warranty liability policy is set out in Note 4. (14).

## (2) Estimates and assumptions

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

### ① Fair value of financial instruments

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

### ② Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 6. (12).

③ Revenue recognition—sales returns and allowance

Starting from 1 January 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Aforementioned the estimated sales returns and allowance will be reversed once it would not occur with highly possibilities, please refer to Note 6.(14)

Before 1 January 2018:

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6. (14) for more details.

④ Income tax

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

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6. (20) for more details.

⑤ Accounts receivables estimation of impairment loss

Starting from 1 January 2018:

The Company estimates the impairment loss of accounts receivables at an amount equal to lifetime expected credit losses. The credit loss is the present value of the difference between the contractual cash flows that are due under the contract (carrying amount) and the cash flows that expects to receive (evaluate forward looking information). However, as the impact from the discounting of short-term receivables is not material, the credit loss is measured by the undiscounted cash flows. Where the actual future cash flows are lower than

expected, a material impairment loss may arise. Please refer to Note 6 (16) for more details.

Before 1 January 2018:

If there is any objective evidence of impairment, the Company takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of 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. Please refer to Note 6.(16) for more details.

⑥ Valuation of Inventory

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on current market conditions and historical sales of similar product. The change in market assessment may have significant impact on the result. Please refer to Note 6.(3) for more details.

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	2018.12.31	2017.12.31
Cash on hand	\$589	\$681
Demand deposits	194,636	158,704
Total	<u>\$195,225</u>	<u>\$159,385</u>

Cash and cash equivalents were all generated from operating activities and were not pledged.

(2) Trade receivables and Trade receivables - related parties

	2018.12.31	2017.12.31
Trade receivables	\$23,127	\$36,870
Less: allowance for sales returns and discounts	-	(2,384)
Less: allowance for doubtful accounts	(2,802)	(249)
Subtotal	<u>20,325</u>	<u>34,237</u>
Trade receivables - related parties	76,211	136,845
Less: allowance for sales returns and discounts	-	-
Subtotal	<u>76,211</u>	<u>136,845</u>
Total	<u>\$96,536</u>	<u>\$171,082</u>

Note: The Company adopted IFRS 15 on 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 15. ( Allowance for sales returns and discounts are reclassified to Other current liabilities - refund liabilities)



Trade receivables are generally on 30-120 day terms. The Company adopted IFRS 9 for impairment assessment on 1 January 2018. Please refer to Note 6 for more details on impairment of trade receivables. The Company adopted IAS 39 for impairment assessment before 1 January 2018. The movements in the provision for impairment of trade receivables and trade receivables-related parties for the period ended 30 December 2017 are as follows: (Please refer to Note 12 for more details on credit risk management.):

	Individually impaired	Collectively impaired	Total
As of January 1, 2017	\$1,855	\$69	\$1,924
Charge for the current period	-	101	101
Unrecoverable write-offs	(1,776)	-	(1,776)
As of December 31, 2017	<u>\$79</u>	<u>\$170</u>	<u>\$249</u>

Note: The company provides 100% loss reduction for the receivables of the company in liquidation.

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

	Neither past due nor impaired	Past due but not impaired					Upon 366 days	Total
		1-30 days	31-90 days	91-180 days	181-270 days	271-365 days		
Dec. 31, 2017	\$58,330	\$31,544	\$13,094	\$37,318	\$30,545	\$251	\$-	\$171,082

### (3) Inventories

① Details as follows

	As of 31 December	
	2018	2017
Raw materials	\$48,376	\$42,004
Work in progress	14,537	21,238
Finished goods	21,218	23,820
Merchandise	2,787	3,081
Total	<u>\$86,918</u>	<u>\$90,143</u>

② For the years ended December 31, 2018 and 2017, the Company recognized NT\$ 200,641 thousand and NT\$ 311,741 thousand for costs of inventories in expenses. The profit and loss that related to cost of goods sold are as follows:

	For the years ended 31 December	
	2018	2017
(Gain)losses on obsolete inventory price recovery	\$(2,648)	\$6,755
Gain on physical inventory	9,089	6,622
Scraps	(140)	(102)
Total	<u>\$6,301</u>	<u>\$13,275</u>

③The gain on obsolete inventory in the periods ended 2018 was due to the scrap of obsolete inventory, which reduced the book quantities of obsolete inventory.

④No inventories were pledged.

#### (4)Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

Investees	As of 31 December			
	2018		2017	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Orange Electronic Inc	\$247	100.00%	\$538	100.00%
Orange Enterprise Corporation(MAR)	(4,351)	100.00%	27,054	100.00%
Orange Electronic Europe Cooperatief U.A.	3,493	99.00%	9,464	99.00%
Long-term equity investment credit balance is transferred to other non-current liabilities(Note)	4,351		-	
Total	<u>\$3,740</u>		<u>\$37,056</u>	

Note: As December 31, 2018, the Company recognized the negative equity of the self-closing financial statements of Orange Enterprise Corporation (MAR), which resulted in the Company's use of the equity book value of the equity method to generate credits due to the Company. The investment company will continue to be supported, and the investment book credit amount using the equity method will be transferred to other non-current liabilities of the investee company.

①The details of the investment (loss) benefits recognized for 2018 and 2017 are as follows:

Investees	As of 31 December			
	2018		2017	
	Investment income (loss)	Cumulative translation adjustments	Investment income (loss)	Cumulative translation adjustments
Orange Electronic Inc.	\$(736)	\$44	\$(1,098)	\$(196)
Orange Enterprise Corporation	(33,274)	271	(19,813)	(1,616)
Orange Electronic Europe Cooperatief U.A.	751	(108)	316	443
Total	<u>\$(33,259)</u>	<u>\$207</u>	<u>\$(20,595)</u>	<u>\$(1,369)</u>

②Investments in associates:

2017 are invested in cash Orange Enterprise Corporation NT\$ 31,960 thousand. The investment subsidiary company's individual financial report is expressed in the form of "Investments accounted for using equity method " and makes necessary adjustments and adjustments.

(5)Property, plant and equipment

	Machinery and equipment	Transportation equipment	Leasehold improvement	Molding equipment	Other equipment	Total
<u>Cost :</u>						
January 1, 2018	\$30,570	\$440	\$28,060	\$13,071	\$33,062	\$105,203
Additions	8,211	-	-	1,011	73	9,295
Disposals	(601)	(440)	-	(196)	(3)	(1,240)
Transfers	11,795	-	-	1,262	-	13,057
December 31, 2018	<u>\$49,975</u>	<u>\$-</u>	<u>\$28,060</u>	<u>\$15,148</u>	<u>\$33,132</u>	<u>\$126,315</u>
<u>Depreciation and impairment:</u>						
January 1, 2018	\$13,225	\$440	\$9,693	\$9,912	\$24,127	\$57,397
Additions	6,694	-	3,005	3,051	3,979	16,729
Disposals	(571)	(440)	-	(196)	(3)	(1,210)
Transfers	-	-	-	-	-	-
December 31, 2018	<u>\$19,348</u>	<u>\$-</u>	<u>\$12,698</u>	<u>\$12,767</u>	<u>\$28,103</u>	<u>\$72,916</u>
<u>Cost :</u>						
January 1, 2017	\$25,871	\$440	\$24,762	\$9,768	\$32,038	\$92,879
Additions	1,410	-	3,271	2,140	1,139	7,960
Disposals	(1,774)	-	-	(8)	(301)	(2,083)
Transfers	5,063	-	27	1,171	186	6,447
December 31, 2017	<u>\$30,570</u>	<u>\$440</u>	<u>\$28,060</u>	<u>\$13,071</u>	<u>\$33,062</u>	<u>\$105,203</u>

	Machinery and equipment	Transportat ion equipment	Leasehold improvement	Molding equipment	Other equipment	Total
<u>Depreciation and impairment:</u>						
January 1, 2017	\$8,790	\$440	\$6,842	\$7,054	\$19,742	\$42,868
Additions	4,904	-	2,851	2,858	4,686	15,299
Disposals	(469)	-	-	-	(301)	(770)
Transfers	-	-	-	-	-	-
December 31, 2017	<u>\$13,225</u>	<u>\$440</u>	<u>\$9,693</u>	<u>\$9,912</u>	<u>\$24,127</u>	<u>\$57,397</u>
Net carrying amount: :						
December 31, 2018	<u>\$30,627</u>	<u>\$-</u>	<u>\$15,362</u>	<u>\$2,381</u>	<u>\$5,029</u>	<u>\$53,399</u>
December 31, 2017	<u>\$17,345</u>	<u>\$-</u>	<u>\$18,367</u>	<u>\$3,159</u>	<u>\$8,935</u>	<u>\$47,806</u>

Property, plant and equipment were not pledged

(6) Other non-current assets

	As of 31 December	
	2018	2017
Prepayment for equipment	\$6,009	\$18,292
Pledged restricted deposits	7,400	10,300
Refundable deposit	4,184	4,444
Total	<u>\$17,593</u>	<u>\$33,036</u>

Please refer to Note 8 for details on pledged restricted deposits.

(7) Short-term loans

	As of 31 December	
	2018	2017
Unsecured bank loans	\$-	\$10,000
Interest Rates (%)	-	2.00%

The company's unused short-term lines of credits amounted to NT\$ 162,500 thousand and NT\$ 157,500 thousand as of December 31, 2018 and 2017, respectively.

(8) Other payables

	2018.12.31	2017.12.31
Accrued payroll	\$19,942	\$22,079
Accrued labor	7,162	4,970
Accrued Processing fee	4,794	7,279
Other payables	22,466	32,725
Total	<u>\$54,364</u>	<u>\$67,053</u>

(9) Long-term loans

At 31 December 2018 and 2017 details are as follows:

Lenders	As of 31 December 2018	Interest rate	Maturity date and terms of repayment
The Shanghai Commercial & Savings Bank, Ltd.	\$4,960	2.095%	Effective from December 15, 2017 to December 15, 2019, principle is repaid in 24 monthly payments with monthly interest payments.
SinoPac Bank	\$3,750	1.865%	Effective from September 6, 2017 to September 6, 2019, principle is repaid in 24 monthly payments with monthly interest payments.
SinoPac Bank	5,417	1.865%	Effective from January 23, 2018 to January 23, 2020, principle is repaid in 24 monthly payments with monthly interest payments.
Subtotal	14,127		
Less: current portion	(13,710)		
Total	\$417		

Lenders	As of 31 December 2017	Interest rate	Maturity date and terms of repayment
The Shanghai Commercial & Savings Bank, Ltd.	\$10,000	2.095%	Effective from January 15, 2017 to December 15, 2019, principle is repaid in 24 monthly payments with monthly interest payments.
SinoPac Bank	8,750	1.865%	Effective from September 6, 2017 to September 6, 2019, principle is repaid in 24 monthly payments with monthly interest payments.
Subtotal	18,750		
Less: current portion	(10,040)		
Total	\$8,710		

The company's unused long-term lines of credits amounted to NT\$ 80,000 thousand and NT\$ 100,000 thousand as of December 31, 2018 and 2017, respectively.

(10) Post-employment benefits

Defined contribution plan

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

Expenses under the defined contribution plan for the years ended December 31, 2018 and 2017 were NT\$ 3,704 thousand and NT\$ 4,257 thousand respectively

(11)Provisions

	<u>Warranty claim</u>
As of January 1, 2018	\$6,393
Recoverable write-offs	<u>(1,428)</u>
As of December 31, 2018	<u>\$4,965</u>
current As of Dec. 31, 2018	2,330
Non-current As of Dec. 31, 2018	<u>2,635</u>
As of December 31, 2018	<u>\$4,965</u>
As of January 1, 2017	\$6,901
Recoverable write-offs	<u>(508)</u>
As of December 31, 2017	<u>\$6,393</u>
current As of Dec. 31, 2017	\$3,375
Non-current As of Dec. 31, 2017	<u>3,018</u>
As of December 31, 2017	<u>\$6,393</u>
<u>Warranty claim</u>	

Provisions are recognized when the company has a present obligation as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(12)Share-based payment plans

Employee share-based payment plans

On May 24, 2013, the Company was authorized by Board of Directors, to issue employee share options with a total number of 500 units. Each unit entitles an option to subscribe for 1,000 shares of the Company's common shares. Settlement upon the exercise of the options will be made through the issuance of new shares.

The option may exercise 50% of the options starting 2 years and 3 years from the grant date. The contractual term of each option granted is four years. If there are changes in the common shares of the Company, the exercise price of share options will be recalculated and adjusted in proportion to the number of shares being held by each of the option.

The Company approved the approval by the board of directors on June 17, 2016, cooperating with public underwriting prior to the initial listing for cash increase, issuing 2,520,000 common shares, and retaining 378,000 new shares for employees to subscribe for. The benchmark date for the issuance of common stock was July 29, 2016, and the change registration was completed.

As of December 31, 2017, the aforementioned share-based payment plan has been completed.

The following table contains further details on the aforementioned share based payment plan for the year ended December 31, 2018 and 2017:

Share options	As of 31 December			
	2018		2017	
	Number of share options outstanding (thousand unit)	Weighted average exercise price of share options (NT\$)	Number of share options outstanding (thousand unit)	Weighted average exercise price of share options (NT\$)
Outstanding at beginning of period	-	-	126	\$24.00
Converted	-	-	(125)	-
Forfeited-issued as of 31 December 2013	-	-	(1)	-
Outstanding at end of period	-	-	-	-
Weighted average fair value of share options(NT\$)	\$-	-	\$-	-

Share-based payment plan outstanding are as follows:

① As of 31 December 2018: None

② As of 31 December 2017

All employee share options already exchanged, there are no outstanding share options.

The compensation cost is accounted for under the fair value method. The fair value of the share options is estimated at the grant date using a Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The Company recognized compensation expense of \$0 thousand in 2018 and 2017. The following table lists the inputs to the model used for the plan:

	Share-based payment plan
Dividend yield (%)	0%
Expected volatility (%)	30.50%
Risk-free interest rate (%)	0.9286%
Expected option life (Years)	4 years

### (13)Equities

#### ①Common stock

As of December 31, 2018 and 2017, the Company's authorized capital was \$300,000 thousand. The issued capital stocks were NT\$ 213,749 thousand, both 21,374,900 shares with par value of NT\$ 10. Every shares has voting right and right to receive dividends.

As of December 31, 2017, the remaining 41 thousand shares have not converted their options and were recorded under advance receipt for share capital in the amount of NT\$ 410 thousand. As of December 31, 2017, the aforementioned have completed the registration process have already been converted into common stock.

Employees have converted their options in to 125 thousand shares for the year ended December 31, 2017, As of December 31, 2017, the aforementioned have completed the registration process have already been converted into common stock.

## ② Capital surplus

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

	Additional paid-in capital			Employee share option		
	Premium on capital increase by cash	Employee share option converted to additional paid-in capital	Subtotal	Recognized	Expired	Subtotal
2017.01.01	\$142,757	\$24,851	\$167,608	\$1,196	\$330	\$1,526
employee share option						
Expired	-	-	-	(9)	9	-
Reclassification	-	156	156	(156)	-	(156)
Premium -2013	-	2,781	2,781	(1,031)	-	(1,031)
2017.12.31	\$142,757	\$27,788	\$170,545	\$-	\$339	\$339
2018.01.01	\$142,757	\$27,788	\$170,545	\$-	\$339	\$339
employee share option						
Expired	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
2018.12.31	\$142,757	\$27,788	\$170,545	\$-	\$339	\$339

## ③ Retained earnings and dividend policies

According to the Company's Corporate Charter, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues
- b. Offset prior years' operation losses



- c. Set aside 10% of the remaining amount
- d. Set aside or reverse special reserve in accordance with law and regulations
- e. The board will then draw up a reserve allocation plan according to the Company's dividend policies and present it in the shareholders' meeting.

The dividend policy of The Company adopts sound and equilibrium principles, and may consider the profit condition, financial structure and the factor of future development of the company, it may aim at no less than 40% of cumulated allocable surplus to distribute as shareholders' bonus, however, it shall appropriate at least 10% from the allocated shareholders' bonus to the distribution of cash bonus. However, The Board of Directors may consider the overall operation condition of that time to adjust the said proportion, and submit to shareholders' meeting for resolution.

According to the Company Act, the Company needs to set aside amount to legal reserve unless where such legal reserve amounts to the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by each of the shareholders.

Details of the 2018 and 2017 earnings distribution and dividends per share as resolved by the board meeting on March 11, 2019 and the shareholders' meeting on June 19, 2018, respectively, are as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2018	2017	2018	2017
Legal reserve making good the deficit	\$(22,421)	\$(2,040)	\$-	\$-
Legal reserve	(877)	-	-	-
Special reserve	-	-	-	-
Common stock -cash dividend	-	-	-	-

Please refer to Note 6(17) for details on employees' compensation and remuneration to directors and supervisors.

(14) Operating revenue

	For the years ended 31 December	
	2018	2017
Sale revenue	\$356,819	\$465,465
Other revenue	1,390	608
Total	\$358,209	\$466,073

Note: The Company adopted IFRS 15 on January 1, 2018. IFRS 15 has no impact on the Company's revenue recognition from sale of goods.

The company adopted IFRS 15 on January 1, 2018. Analysis of revenue from contracts with customers during the year is as follows:

The Company adopted IFRS 15 on 1 January 2018. Analysis of revenue from contracts with customers during the year ended 31 December 2018 is as follows:

① Contract balances

Contract liabilities - current	<u>Beginning balance</u>	<u>Ending balance</u>	<u>Difference</u>
Sale revenue	<u>\$1,794</u>	<u>\$5,946</u>	<u>\$4,109</u>

For the year ended December 31, 2018, contract liabilities increased as the consideration received from customers did not satisfy its performance obligations. NT\$1,794 thousand included in the beginning carrying amount was recognized as revenue during the period.

(15) Operating lease commitments – the company as lessee

The company leases offices and company cars are under non-cancellable operating lease agreements. Due date is at December 2019. The Company can renew it before expiration day. As of December 31, 2018 the future aggregate minimum lease payments are as follows:

	<u>For the years ended 31 December</u>	
	<u>2018</u>	<u>2017</u>
Less than 1 year	\$9,408	\$10,113
Between 1 and 5 years	9,099	4,540
	<u>\$18,507</u>	<u>\$14,653</u>

Lease expense are as follows:

	<u>For the years ended 31 December</u>	
	<u>2018</u>	<u>2017</u>
Aggregate minimum lease payments	<u>\$10,274</u>	<u>\$11,145</u>

(16) Expected credit losses(gains)

	<u>2018.1.1~2018.12.31</u>	<u>2017.1.1~2017.12.31(Note)</u>
Operating expenses –		
Expected credit losses		
Notes receivables	\$-	
Accounts receivables	2,559	
Receivables from related parties	-	
	<u>\$2,559</u>	

Note: The company adopted IFRS 9 on 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

Please refer to Note 12 for more details on credit risk.

The company measures the loss allowance of its trade receivables (including note receivables、trade receivables and receivables from related parties) at an amount

equal to lifetime expected credit losses. The assessment of the company's loss allowance as at 31 December 2018 is as follows:

The company considers the grouping of trade receivables by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix, details are as follows:

	Group 1							Total
	Not yet due(Note)	Overdue						
	1-30 days	31-90 days	91-180 days	181-270 days	271-365 days	Upon 366 days(Note)		
Gross carrying amount	\$49,141	\$10,348	\$5,133	\$7,996	\$7,446	\$17,110	\$2,462	\$99,636
Loss ratio	-%	-%	-%	0~20%	0~30%	0~50%	0~100%	
Lifetime Expected credit losses	-	-	-	-	-	(340)	(2,462)	(2,802)
Total	\$49,141	\$10,348	\$5,133	\$7,996	\$7,446	\$16,770	\$-	\$96,834

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

The company in the provision for impairment of note receivables , trade receivables and receivables from related parties during the period ended 2018 is as follows:

	Note receivables	Trade receivables	Receivables from related parties
Beginning balance (in accordance with IAS 39)	\$-	\$249	\$-
Transition adjustment to retained earnings	-	-	-
Beginning balance (in accordance with IFRS 9)	\$-	\$249	\$-
Addition/(reversal) for the current period	-	2,559	-
Write off	-	(6)	-
Ending balance	\$-	\$2,802	\$-

(17)Summary statement of employee benefits, depreciation and amortization expenses by function for the year ended December 31, 2018 and 2017:

Function	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Nature						
Employee benefits expense						
Salaries	\$22,684	\$51,694	\$74,378	\$27,478	\$64,984	\$92,462
Labor and health insurance	2,500	5,075	7,575	3,006	5,609	8,615
Pension	1,025	2,679	3,704	1,212	3,045	4,257
Director's remuneration	-	783	783	-	769	769
Other employee benefits expense	2,117	2,557	4,674	2,729	2,996	5,725
Depreciation	11,691	5,038	16,729	10,985	4,314	15,299
Amortization	460	1,122	1,582	458	1,113	1,571

The number of employees of the Company on December 31, 2018 and December 31, 2017 was 132 and 164 respectively, of which 4 were not concurrently employed.

According to the resolution, no less than 5% and no more than 15% of profit of the current year is distributable as employees' compensation and no higher than 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition there to a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

As the company posted losses for the year ended 31 December 2018 and 2017, the company did not estimate the amounts of the employees' compensation and remuneration to directors and supervisors.

(18) Non-operating income and expenses

① Other income

	For the years ended 31 December	
	2018	2017
Interest income	(Note)	\$252
Financial assets measured at amortized cost	\$335	(Note)
Gain on reversal of allowance	-	92
Others	3,205	6,274
Total	<u>\$3,540</u>	<u>\$6,618</u>

Note: The company adopted IFRS 9 on 1 January 2018. The company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

② Other gains and losses

	For the years ended 31 December	
	2018	2017
Net currency exchange (losses) gains	2,722	\$(8,443)
Gains(losses) on disposal of property, plant and equipment	58	78
Others	(427)	(298)
Total	<u>2,353</u>	<u>\$(8,663)</u>

③ Finance costs

	For the years ended 31 December	
	2018	2017
Interest on borrowings from bank	<u>\$511</u>	<u>\$354</u>

(19)Components of other comprehensive income

For the year ended 31 December 2018:

To be reclassified to profit or loss in subsequent periods: :	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$207	\$-	\$207	\$-	\$207

For the year ended 31 December 2017:

To be reclassified to profit or loss in subsequent periods: :	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax effect	Other comprehensive income, net of tax
Exchange differences resulting from translating the financial statements of a foreign operation	\$(1,369)	\$-	\$(1,369)	\$-	\$(1,369)

(20)Income tax

Based on the amendments to the Income Tax Act announced on February 7, 2018, the Company's applicable corporate income tax rate for the year ended December 31, 2018 has changed from 17% to 20%. The corporate income surtax on undistributed retained earnings has changed from 10% to 5%.

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

①Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2018	2017
Current income tax expense: :		
Current income tax charge	\$-	\$762
Adjust the before year's current income tax	(439)	892
Deferred tax expense (income):		
Deferred income tax benefits related to the original production of temporary differences and their reversal	42	(1,167)
Total income tax expense	<u>\$(397)</u>	<u>\$487</u>

②Income tax relating to components of other comprehensive income: None.

③Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rate is as follows:

	For the years ended 31 December	
	2018	2017
Accounting profit before tax from continuing operations	<u>\$(23,695)</u>	<u>\$(34,078)</u>
Tax at the domestic rates applicable to profits in the country concerned	\$-	-
Tax effect of deferred tax assets/liabilities	42	(1,167)
Additional 10% tax on unappropriated earnings	-	762
Individual tax rate impacts in other tax jurisdictions	<u>(439)</u>	<u>892</u>
Total income tax expenses recorded in profit or loss	<u>\$(397)</u>	<u>\$487</u>

Deferred tax assets (liabilities) relate to the following:

a. For the year ended December 31, 2018:

Items	Beginning balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of 31 December
Temporary difference				
Allowance to reduce inventories to market value	\$2,998	\$-	\$-	\$2,998
Unrealized exchange gain or loss	474	(324)	-	150
Bad debt loss	42	251	-	293
Liabilities Abstract	1,087	(94)	-	993
Unused tax losses	1,576	(1,576)	-	-
Others	1,312	1,701	-	3,013
Deferred tax expense/ (income)		<u>\$(42)</u>	<u>\$-</u>	
Net deferred tax assets/ (liabilities)	<u>\$7,489</u>			<u>\$7,447</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$7,489</u>			<u>\$7,447</u>

b. For the year ended December 31, 2017:

Items	Beginning balance as of 1 January	Recognized in profit or loss	Recognized in other comprehensive income	Ending balance as of 31 December
Temporary difference				
Allowance to reduce inventories to market value	\$1,850	\$1,148	\$-	\$2,998
Unrealized exchange gain or loss	(253)	727	-	474
Accumulated Impairment- At Cost	552	(552)	-	-
Depreciation expense tax difference	278	(236)	-	42
Bad debt loss	1,173	(86)	-	1,087
Liabilities Abstract	-	1,576	-	1,576
Others	2,722	(1,410)	-	1,312
Deferred tax expense/ (income)		<u>\$1,167</u>	<u>\$-</u>	
Net deferred tax assets/ (liabilities)	<u>\$6,322</u>			<u>\$7,489</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$6,322</u>			<u>\$7,489</u>

④ Unrecognized deferred tax assets  
None.

⑤ The assessment of income tax returns

As of December 31, 2018, the assessment of the income tax returns of the Company is 2015.

(21) Earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary equity owners of the parent entity by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	For the years ended 31 December	
	2018	2017
① Basic earnings per share		
Profit(loss) attributable to ordinary equity holders of the company (in thousands of NT\$)	<u>\$(23,298)</u>	<u>\$(34,565)</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>21,375</u>	<u>21,309</u>
Basic earnings(loss) per share (NT\$)	<u>\$(1.09)</u>	<u>\$(1.62)</u>
	<u>2018</u>	<u>2017</u>
② Diluted earnings per share		
Profit(loss) attributable to ordinary equity holders of the Company (in thousands of NT\$)	<u>\$(23,298)</u>	<u>\$(34,565)</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	21,375	21,309
Effect of dilution:		
Capital collected in advance—Stock(in thousands)	-	-
Employee bonus—Stock(in thousands)	-	-
Employee stock options (in thousands)	-	-
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>21,375</u>	<u>21,309</u>
Diluted earnings per share (loss) (NT\$)	<u>\$(1.09)</u>	<u>\$(1.62)</u>

Note1: In 2018 and 2017, the employee stock options and convertible bonds were anti dilution, and were excluded from the computation of diluted earnings per share.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

## 7. SIGNIFIANT TRANSACTIONS WITH RELATED PARTIES

### (1) Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Chin - Yao Hsu	Chairman
Feng - Yi Chang	Director
Hung - Chih Yu	Director
Standard Motor Products Inc. (SMP)	Substantive related party
Orange Electronic Inc.	The Company's subsidiary
Orange Electronic Trading(Shanghai)Co.,Ltd	The Company's subsidiary
Suzhou Orange Electronic Co.,Ltd.	The Company's subsidiary
Orange Electronic Italy S.R.L.	The Company's subsidiary
Orange Electronic Netherlands B.V	The Company's subsidiary
Yishengho International Co., Ltd.	Substantive related party(From Oct, 2018 become Substantive related party)
Standard Motor Products (Hong Kong) Limited	Substantive related party

### (2) Significant transactions with related parties

#### ① Sales

	As of 31 December	
	2018	2017
Standard Motor Products Inc. (SMP)	\$139,959	\$130,268
Orange Electronic Netherlands B.V	13,244	-
Suzhou Orange Electronic Co.,Ltd.	11,657	10,332
Orange Electronic Trading (Shanghai)Co.,Ltd	10,085	76,138
Substantive related party	4,969	-
Subsidiaries	3,010	6,754
Total	\$182,924	\$223,492

The sales price is determined by both parties referring to the market price negotiation. The collection condition is received within 30 to 120 days of the customer's monthly, which is the same as the general customer.

#### ② Sales expense-service fee

	As of 31 December	
	2018	2017
Orange Electronic Netherlands B.V	\$15,345	\$5,419
Orange Electronic Italy S.R.L	8,240	17,153
Subsidiaries	949	3,146
Total	\$24,534	\$25,718



③Accounts Receivable-Related Parties

	As of 31 December	
	2018	2017
Orange Electronic Trading (Shanghai)Co.,Ltd	\$26,806	\$105,561
Standard Motor Products Inc. (SMP)	13,768	17,451
Orange Electronic Netherlands B.V	13,068	-
Suzhou Orange Electronic Co.,Ltd.	9,214	8,829
Yishengho International Co., Ltd.	8,996	-
Orange Electronic Inc.	4,062	5,004
Subsidiaries	297	-
<b>Total</b>	<b>\$76,211</b>	<b>\$136,845</b>

④Other current liabilities - refund liabilities

	As of 31 December	
	2018	2017
Standard Motor Products Inc. (SMP)	\$5,364	\$-

⑤Other Receivable-Related Parties

	As of 31 December	
	2018	2017
Orange Electronic Trading (Shanghai)Co.,Ltd	\$34,164	\$-
Subsidiaries	1,231	9,958
<b>Total</b>	<b>\$35,395</b>	<b>\$9,958</b>

⑥Other payables – related parties

	As of 31 December	
	2018	2017
Orange Electronic Italy S.R.L	\$5,713	\$6,311

⑦Buy property, plant and equipment

	Item	2018	
		Price	Book value
Suzhou Orange Electronic Co.,Ltd.	Equipment	\$4,662	\$4,891

No such situation in 2017.

⑧ Key management personnel compensation

	For the years ended 31 December	
	2018	2017
Short-term employee benefits	\$10,632	\$13,741
Post-Employment Benefits	269	337
Total	\$10,901	\$14,078

⑨ Guarantee

The Company's director Mr. Chin-Yao Hsu, Feng-Yi Chang and Hung-Chih Yu provided promissory note to bank to pledge for the Company as of December 31, 2018 and December 31, 2017.

8. ASSETS PLEDGED AS SECURITY

The following table lists assets of the Company pledged as security:

	Carrying amount As of 31 December		Secured liabilities
	2018.12.31	2017.12.31	
Time deposit	\$3,400	\$6,800	Security deposit of provisional attachment
Time deposit	4,000	2,000	Bank deposit quality
Time deposit	-	1,500	guarantee deposit of sales
Total (recorded under other current assets)	\$7,400	\$10,300	

9. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Categories of financial instruments

Financial assets

	As of 31 December	
	2018	2017
Loans and receivables: : (Note 2)		
Cash and cash equivalents (exclude cash on hand)	(Note1)	\$158,704
Notes and accounts receivable	(Note1)	171,717
Other receivable	(Note1)	10,494

Financial assets measured at amortized cost (Note 2)

Cash and cash equivalents (exclude cash on hand)	194,636	(Note 1)
Notes and accounts receivable	96,834	(Note 1)
Other receivable	35,796	(Note 1)
Financial liabilities at amortized cost:		
Short-term borrowings	\$-	\$10,000
Notes and accounts payable	30,507	46,849
Other payables	54,364	67,053
Other current liabilities	6,390	2,928
Long-term borrowings(including current portion with maturity less than 1 year)	14,127	18,750
Other non-current liabilities	108	108

Note:

(i) The Company adopted IFRS 9 on 1 January 2018. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 9.

(ii) Including cash and cash equivalents, notes receivable, trade receivables and other receivables.

## (2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before entering into significant financial activities, due approval process by the board of directors and audit committee must be carried out based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

## (3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk.

In practice, it is rarely the case that a single risk variable will change independently from other risk variables, there is usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

### Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a different currency from the Company's functional currency).

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural

hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as of the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for USD.

When NTD strengthens against USD by 1%, for the years ended December 31, 2018 and 2017 to increase/decrease by NT\$ 608 thousand and NT\$ 534 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on borrowings with variable interest rates as of the end of the reporting period. At the reporting date, a change of 10 basis points of interest rate in a reporting period could cause the profit for the years ended December 31, 2018 and 2017 to decrease by NT\$ 14 thousand and NT \$ 29 thousand.

#### (4) Credit risk management

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

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, ratings from credit rating agencies, historical experiences, prevailing economic condition and the Company's internal rating criteria, etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment.

As of December 31, 2018 and December 31, 2017, amounts receivables from top ten customers represented 90.71% and 91.58% of the total trade receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

(5) Liquidity risk management

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

Non-derivative financial instruments

	Less than 1 year	1 to 3 years	3 to 5 years	> 5 years	Total
2018.12.31					
Short-term borrowings	\$-	\$-	\$-	\$-	\$-
Accounts payable	30,507	-	-	-	30,507
Other payables	54,364	-	-	-	54,364
Other current liabilities	6,390	-	-	-	6,390
Long-term borrowings	13,851	554	-	-	14,405
Other non-current liabilities	-	-	-	108	108
2017.12.31					
Short-term borrowings	\$10,005	\$-	\$-	\$-	\$10,005
Accounts payable	46,849	-	-	-	46,849
Other payables	67,053	-	-	-	67,053
Other current liabilities	2,928	-	-	-	2,928
Long-term borrowings	10,314	8,897	-	-	19,211
Other non-current liabilities	-	-	-	108	108

(6) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the period ended 31 December 2018:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
2018.1.1	\$10,000	\$18,750	\$28,750
Cash flows	(10,000)	(4,623)	(14,623)
2018.12.31	\$-	\$14,127	\$14,127

Reconciliation of liabilities for the nine-month period ended 31 December 2018:  
None

(7) Significant assets and liabilities denominated in foreign currencies

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	As of 31 December 2018			As of 31 December 2017		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items:</u>						
USD	\$3,028	30.67	\$92,869	\$3,041	29.71	\$90,348
<u>Investments accounted for under the equity method</u>						
USD	\$8	30.67	247	\$929	29.71	\$27,593
EUR	\$100	35.00	\$3,493	\$268	35.37	\$9,463
<u>Financial liabilities</u>						
<u>Monetary item:</u>						
USD	\$552	30.67	\$16,930	\$877	29.71	\$26,056

(8) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize the shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

(9) Others

For financial statement comparing, the parts of item had been classified.

13. OTHER DISCLOSURE

(1) Information at significant transactions

① Financing provided to others :

No	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period	Ending balance (Note3, Note4)	Amount drawn	Interest rate	Nature of financing	Amount of sales to (purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party (Note1)	Limit of total financing amount (Note2)
													Item	Value		
0	Orange Electronic Co., Ltd	Orange Electronic Trading (Shanghai) Co., Ltd	Other Receivable-Related Parties	Yes	\$33,925 (RMB7,677 thousand)	\$33,925 (RMB7,677 thousand)	\$33,925 (RMB7,677 thousand)	-	Represents short-term financing	\$ -	For operating	\$ -	-	\$ -	\$153,037	\$191,297

Note 1: According to the company's management of loaning of funds, the loan between the company direct or indirect over 50% owned foreign subsidiaries which is inter-firm short-term financing facility is necessary, provided that such financing amount shall not exceed 40 % of the lender's net worth.

Note 2: According to the company's management of loaning of funds, The maximum amount of funds and loans shall not exceed 50% of the net value of the current financial statements of the Company.

Note 3: Does not include adjustments to foreign currency exchange gains and losses.

Note 4: It is a write-off transaction between the merged individuals and has been adjusted for write-off.

② Endorsement/Guarantee provided to others:

No	Endorser/ Guarantor	Counterparty		Guarantee Limited Amount for each Counterparty (Note1)	Maximum balance for the period	Guarantee Amount in the end of 2018	Amount drawn	Value of Collaterals Properties	Ratio of Accumulated Amount of Guarantee Provided to Net Equity of the Latest Financial Statements	Guarantee Limited Amount (Note2)	Guarantee from the parent to subsidiary	Guarantee from the subsidiary to parent	Guarantee from Mainland China
		Company Name	Relationship										
0	Orange Electronic Co.,Ltd	Suzhou Orange Electronic Co.,Ltd.	Investee company	\$114,778	\$29,240	\$29,240	\$-	None	7.64%	\$153,037	Y	N	Y

Note 1: The limited amount of guarantees/endorsements for each counterparty shall not exceed 30% of net equity of the guarantor as of December 31, 2018.

Note 2: The limited amount of guarantees/endorsements shall not exceed 40% of net equity of the guarantor as of December 31, 2018.

③ Securities held as of December 31, 2018 (excluding subsidiaries, associates and joint venture): None

④ Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

⑤ Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the paid-in capital for the year ended December 31, 2018: None.

⑥ Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended December 31, 2018: None.

⑦ Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended December 31, 2018:

Company Name	Counter-party	Relationship	Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount (Note)	Percentage of total purchases (sales)	Term	Unit price	Term	Balance	Percentage of total receivables (payable)	
Orange Electronic Co.,Ltd	Standard Motor Products Inc.	Substantive related party	Sales	\$139,959	39.07%	Within 60 days	normal	normal	\$ 13,768	14.22 %	-

⑧ Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of year ended 3 December 31, 2018: None

⑨ Financial instruments and derivative transactions: None.

⑩ Significant intercompany transactions between consolidated entities are as follows:

No (Note1)	Company Name	Counter Party	Nature of Relationship (Note2)	Intercompany Transactions			
				Financial Statements Item	Amount	Terms	Percentage of Consolidated Total Gross Sales or Total Assets (%)
0	Orange Electronic Co.,Ltd	Orange Electronic Trading (Shanghai)Co.,Ltd	1	Accounts receivable	\$26,806	Trading condition is as same as other customers	5.30%
0	Orange Electronic Co.,Ltd	Orange Electronic Trading (Shanghai)Co.,Ltd	1	Other accounts receivable	\$34,164	(Note 4)	6.75%
1	Orange Electronic Trading (Shanghai)Co.,Ltd	Orange Electronic Co.,Ltd	2	Accounts payable	\$60,970	Trading condition is as same as other customers	12.04%

Note 1: The Company and its subsidiaries are coded as follows:

- a. The Company is coded "0".
- b. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follow:

- a. Represents the transactions from the parent company to a subsidiary.
- b. Represents the transactions from a subsidiary to the parent company.

Note 3: The total transaction amount is calculated revenues or total assets ratio, the case of those balance sheet items to the way the ending balance of total assets; If the profit and loss items are those to the cumulative amount of total revenue for the period is calculated.

Note 4: During the credit period, the company's funding needs were measured, and there were no major abnormalities with the general customers.

## (2) Information on investees

### ① Investee company having significant influence and control:

Investee company having significant influence and control:

Names, locations, main businesses and products, original investment amount, investment as of December 31, 2018, net income (loss) of investee company and investment income (loss) recognized as of December 31, 2018 (excluding investees in Mainland China):

Investor Company	Investee Company	Address	Address Main businesses and products	Initial Investment Amount		Investment As of 31 December 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2018	31 December 2017	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Orange Electronic Co.,Ltd	Orange Electronic Inc.	America	After sales services	\$9,361	\$9,361	300,000	100%	247 (Note 3)	(736)	(736)	The Company's subsidiary:
Orange Electronic Co.,Ltd	Orange Enterprise Corporation	Marshall Islands	Holding company	112,358	112,358	3,500,000	100%	(4,351) (Note 4)	(33,274)	(33,274)	The Company's subsidiary:
Orange Electronic Co.,Ltd	Orange Electronic Europe Cooperatief U.A.	Netherlands	Holding company	8,833	8,833	- (Note 1)	99%	3,458	751	743	The Company's subsidiary:



Investor Company	Investee Company	Address	Address Main businesses and products	Initial Investment Amount		Investment As of 31 December 2018			Net income (loss) of investee company	Investment income (loss) recognized	Note
				31 December 2018	31 December 2017	Number of shares (thousands)	Percentage of ownership (%)	Book value			
Orange Electronic Inc.	Orange Electronic Europe Cooperatief U.A.	Netherlands	Holding company	89	89	- (Note1)	1%	35	751	8	The Company's subsidiary:
Orange Enterprise Corporation	OEC International Corporation	Samoa Islands	Holding company	112,358	112,358	3,500,000	100%	(4,351) (Note 4)	(33,274)	(33,274)	The Company's subsidiary:
Orange Electronic Europe Cooperatief U.A.	Orange Electronic Netherlands B.V.	Netherlands	After sales services	8,922	8,922	250,000	100%	10,706	837	837	The Company's subsidiary:
Orange Electronic Netherlands B.V.	Orange Electronic Italy S.R.L.	Italy	After sales services	8,922	8,922	- (Note 2)	100%	10,126	266	266	The Company's subsidiary:

Note1: The investee is cooperative type, they don't issue stock.

Note2: The investee is a limited company, they don't issue stock.

Note3: The Company are holding book values including unrealized gains and losses from related party transactions.

Note4: As December 31, 2018, the Company recognized the negative equity of the self-closing financial statements of Orange Enterprise Corporation (MAR), which resulted in the Company's use of the equity book value of the equity method to generate credits due to the Company. The investment company will continue to be supported, and the investment book credit amount using the equity method will be transferred to other non-current liabilities of the investee company.

### (3) Information on investments in mainland China

#### ① Information on investments in mainland China from the Company as of December 31, 2018:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan As of 1 January 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan As of 31 December 2018	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value As of 31 December 2018	Accumulated Inward Remittance of Earnings As of 31 December 2018
					Outflow	Inflow						
Orange Electronic Trading (Shanghai) Co., Ltd.	Entrepot Trade and trade agency	\$48,168	Investment in Mainland China companies through a company invested and established in a third region	\$48,168	\$-	\$-	\$48,168	\$(24,741)	100%	\$(24,741)	\$(39,143)	\$-
Suzhou Orange Electronic Co., Ltd.	Wholesale of electronic equipment, or vehicles and motorcycles and related parts and acc	64,190	Investment in Mainland China companies through a company invested and established in a third region	64,190	\$-	\$-	64,190	(8,533)	100%	(8,533)	34,792	\$-

Accumulated Investment in Mainland China As of 31 December 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
		The lender's net accounts value×60%
\$112,358 (USD 3,500 thousand)	\$143,784 (USD 4,500 thousand)	\$229,556

Note 1: According to Investment Commission, MOEA the Company's investment in Mainland China is limited to 60% of net worth.