

Taiwan Name Plate Co., Ltd.

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Taiwan Name Plate Co., Ltd.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter of the Company's financial statements for the year ended December 31, 2018 is as follow.

Revenue Recognition

In the process of credit card sales to the foreign client, the Company recognizes sales revenue when the goods have been delivered to the client's designated locations and have been completely examined by the client in accordance with the agreements. As the above-mentioned sales revenue is significant in the audit for the year ended December 31, 2018, the appropriateness of revenue recognition for credit card sales to the foreign client was deemed as a key audit matter.

To address this matter, we evaluated the Company's revenue recognition policy and the relevant design and implementation of internal controls for this type of revenue. We selected samples of revenue for this type of sales and verified them against the client's receipt-related documents, to confirm that the transactions for this type of sales had been completed and recognized in the appropriate period.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shui En Liu and Ching-Cheng Yang.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 2019

Notice to Readers

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

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

TAIWAN NAME PLATE CO., LTD.

BALANCE SHEETS

DECEMBER 31, 2018 AND 2017

(In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash (Notes 3, 4 and 6)	\$ 72,618	9	\$ 98,305	12
Financial assets at amortized cost - current (Notes 3, 4 and 8)	11,511	1	-	-
Notes receivable, net (Notes 3, 4 and 10)	981	-	2,722	-
Trade receivable, net (Notes 3, 4 and 10)	96,132	12	55,170	6
Inventories (Notes 4, 5 and 11)	77,416	10	133,034	16
Other financial assets - current (Notes 3, 4, 13 and 28)	-	-	9,932	1
Other current assets (Notes 3, 4 and 15)	<u>6,799</u>	<u>1</u>	<u>9,054</u>	<u>1</u>
Total current assets	<u>265,457</u>	<u>33</u>	<u>308,217</u>	<u>36</u>
NON-CURRENT ASSETS				
Financial assets at amortized cost - non-current (Notes 3, 4 and 8)	6,569	1	-	-
Property, plant and equipment (Notes 4, 12 and 28)	514,671	64	519,657	61
Intangible assets (Notes 4 and 14)	1,929	-	1,913	-
Deferred tax assets (Notes 4, 5 and 21)	8,496	1	9,185	1
Other non-current assets (Notes 3, 4, 15 and 28)	<u>8,032</u>	<u>1</u>	<u>15,067</u>	<u>2</u>
Total non-current assets	<u>539,697</u>	<u>67</u>	<u>545,822</u>	<u>64</u>
TOTAL	<u>\$ 805,154</u>	<u>100</u>	<u>\$ 854,039</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 4 and 16)	\$ 20,000	2	\$ 20,000	2
Trade payables (Note 4)	27,647	3	48,900	6
Other payables (Notes 4, 17 and 20)	78,504	10	69,001	8
Current tax liabilities (Notes 4 and 21)	6,406	1	8,657	1
Current portion of long-term borrowings (Notes 4 and 16)	20,002	3	24,253	3
Other current liabilities (Notes 4 and 17)	<u>1,247</u>	<u>-</u>	<u>29,466</u>	<u>3</u>
Total current liabilities	<u>153,806</u>	<u>19</u>	<u>200,277</u>	<u>23</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 4 and 16)	84,691	11	103,580	12
Deferred tax liabilities (Notes 4 and 21)	19,172	2	19,161	2
Net defined benefit liabilities - non-current (Notes 4, 5 and 18)	<u>36,330</u>	<u>5</u>	<u>47,059</u>	<u>6</u>
Total non-current liabilities	<u>140,193</u>	<u>18</u>	<u>169,800</u>	<u>20</u>
Total liabilities	<u>293,999</u>	<u>37</u>	<u>370,077</u>	<u>43</u>
EQUITY (Notes 4, 19 and 23)				
Share capital				
Ordinary shares	<u>195,659</u>	<u>24</u>	<u>195,659</u>	<u>23</u>
Capital surplus	<u>60,234</u>	<u>7</u>	<u>60,234</u>	<u>7</u>
Retained earnings				
Legal reserve	53,387	7	49,138	6
Special reserve	72,154	9	72,154	8
Unappropriated earnings	<u>129,721</u>	<u>16</u>	<u>106,777</u>	<u>13</u>
Total retained earnings	<u>255,262</u>	<u>32</u>	<u>228,069</u>	<u>27</u>
Total equity	<u>511,155</u>	<u>63</u>	<u>483,962</u>	<u>57</u>
TOTAL	<u>\$ 805,154</u>	<u>100</u>	<u>\$ 854,039</u>	<u>100</u>

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

TAIWAN NAME PLATE CO., LTD.

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

	2018		2017	
	Amount	%	Amount	%
NET REVENUE (Notes 3, 4 and 31)	\$ 755,916	100	\$ 784,421	100
COST OF GOODS SOLD (Notes 4, 11, 18, 20 and 24)	<u>(572,111)</u>	<u>(76)</u>	<u>(609,662)</u>	<u>(77)</u>
GROSS PROFIT	<u>183,805</u>	<u>24</u>	<u>174,759</u>	<u>23</u>
OPERATING EXPENSES (Notes 4, 18, 20, 24 and 27)				
Marketing	(41,494)	(5)	(38,452)	(5)
Administrative	(53,762)	(7)	(58,780)	(8)
Research and development	<u>(23,063)</u>	<u>(3)</u>	<u>(18,378)</u>	<u>(2)</u>
Total operating expenses	<u>(118,319)</u>	<u>(15)</u>	<u>(115,610)</u>	<u>(15)</u>
PROFIT FROM OPERATIONS	<u>65,486</u>	<u>9</u>	<u>59,149</u>	<u>8</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 20)				
Other income	4,575	-	1,876	-
Other gains and losses	(950)	-	(1,677)	-
Finance costs	<u>(2,811)</u>	<u>-</u>	<u>(4,932)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>814</u>	<u>-</u>	<u>(4,733)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	66,300	9	54,416	7
INCOME TAX EXPENSE (Notes 4, 5 and 21)	<u>(12,299)</u>	<u>(2)</u>	<u>(11,926)</u>	<u>(1)</u>
NET PROFIT	<u>54,001</u>	<u>7</u>	<u>42,490</u>	<u>6</u>
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 18 and 21)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(2,021)	-	983	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	<u>649</u>	<u>-</u>	<u>(167)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(1,372)</u>	<u>-</u>	<u>816</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 52,629</u>	<u>7</u>	<u>\$ 43,306</u>	<u>6</u>

(Continued)

TAIWAN NAME PLATE CO., LTD.

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

	2018		2017	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$ 2.76</u>		<u>\$ 2.35</u>	
Diluted	<u>\$ 2.74</u>		<u>\$ 2.33</u>	

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

(Concluded)

TAIWAN NAME PLATE CO., LTD.

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

	Share Capital		Capital Surplus			Retained Earnings			Total Equity	
	Shares (In Thousand)	Amount	Share Premium	Transaction of Treasury Shares	Total	Legal Reserve	Special Reserve	Unappropriated Earnings		Total
BALANCE AT JANUARY 1, 2017	16,948	\$ 169,475	\$ 15,000	\$ 1,582	\$ 16,582	\$ 44,520	\$ 72,154	\$ 85,037	\$ 201,711	\$ 387,768
Appropriation of 2016 earnings										
Legal reserve	-	-	-	-	-	4,618	-	(4,618)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(8,474)	(8,474)	(8,474)
Share dividends distributed by the Company	847	8,474	-	-	-	-	-	(8,474)	(8,474)	-
	847	8,474	-	-	-	4,618	-	(21,566)	(16,948)	(8,474)
Net profit for the year ended December 31, 2017	-	-	-	-	-	-	-	42,490	42,490	42,490
Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	-	-	-	816	816	816
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	-	43,306	43,306	43,306
Issuance of ordinary shares for cash	1,771	17,710	43,652	-	43,652	-	-	-	-	61,362
BALANCE AT DECEMBER 31, 2017	19,566	195,659	58,652	1,582	60,234	49,138	72,154	106,777	228,069	483,962
Appropriation of 2017 earnings										
Legal reserve	-	-	-	-	-	4,249	-	(4,249)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	-	-	(25,436)	(25,436)	(25,436)
	-	-	-	-	-	4,249	-	(29,685)	(25,436)	(25,436)
Net profit for the year ended December 31, 2018	-	-	-	-	-	-	-	54,001	54,001	54,001
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	-	(1,372)	(1,372)	(1,372)
Total comprehensive income for the year ended December 31, 2018	-	-	-	-	-	-	-	52,629	52,629	52,629
BALANCE AT DECEMBER 31, 2018	19,566	\$ 195,659	\$ 58,652	\$ 1,582	\$ 60,234	\$ 53,387	\$ 72,154	\$ 129,721	\$ 255,262	\$ 511,155

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

TAIWAN NAME PLATE CO., LTD.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 66,300	\$ 54,416
Adjustments for:		
Depreciation expenses	29,726	29,199
Amortization expenses	861	245
Interest income	(173)	(136)
Finance costs	2,811	4,932
Loss on disposal of property, plant and equipment	1,844	106
Net loss (gain) on foreign currency exchange	(54)	819
Changes in operating assets and liabilities		
Notes receivable	1,741	1,614
Trade receivables	(40,945)	2,529
Inventories	55,618	6,308
Other current assets	2,257	2,944
Other non-current assets	739	5,125
Trade payables	(21,175)	24,607
Other payables	8,417	(8,646)
Other current liabilities	(28,235)	6,089
Net defined benefit liabilities	<u>(12,750)</u>	<u>(1,778)</u>
Cash generated from operations	66,982	128,373
Interest received	171	136
Interest paid	(2,849)	(5,030)
Income tax paid	<u>(13,201)</u>	<u>(7,064)</u>
Net cash generated from operating activities	<u>51,103</u>	<u>116,415</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(3,556)	-
Payments for property, plant and equipment	(21,125)	(10,765)
Proceeds from disposal of property, plant and equipment	578	19
Payments for intangible assets	(877)	(1,784)
Increase in other financial assets	-	(2,757)
Increase in prepayment for equipment	(3,209)	(4,913)
Increase in other non-current assets	<u>-</u>	<u>(1,440)</u>
Net cash used in investing activities	<u>(28,189)</u>	<u>(21,640)</u>

(Continued)

TAIWAN NAME PLATE CO., LTD.

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

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term bills payable	\$ -	\$ (30,000)
Proceeds from long-term borrowings	-	30,000
Repayments of long-term borrowings	(23,140)	(114,347)
Dividends paid to owners of Company	(25,436)	(8,474)
Proceeds from issue of ordinary shares	<u>-</u>	<u>61,362</u>
Net cash used in financing activities	<u>(48,576)</u>	<u>(61,459)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(25)</u>	<u>(814)</u>
NET (DECREASE) INCREASE IN CASH	(25,687)	32,502
CASH AT THE BEGINNING OF THE YEAR	<u>98,305</u>	<u>65,803</u>
CASH AT THE END OF THE YEAR	<u>\$ 72,618</u>	<u>\$ 98,305</u>

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

(Concluded)

TAIWAN NAME PLATE CO., LTD.

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

1. GENERAL INFORMATION

Taiwan Name Plate Co., Ltd. (the “Company”) was established in December 1970. The Company mainly manufactures and sells name plates, plastic cards and membrane switches, integrated circuit cards, bank transaction cards (automatic teller machine or ATM cards, credit cards, etc.) as well as processes certain bank data of individuals.

The Company’s shares have been listed on the Taiwan Emerging Stock Board (“ESB”) on September 28, 2016, and subsequently became listed on the Taipei Exchange (“TPEX”) Mainboard on November 3, 2017.

The financial statements are presented in the Company’s functional currency, the New Taiwan dollar (“NT\$”).

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 22, 2019.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

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

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company’s accounting policies:

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

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

Classification, measurement and impairment of financial assets

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

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

Financial Assets	Measurement Category		Carrying Amount	
	IAS 39	IFRS 9	IAS 39	IFRS 9
Cash	Loans and receivables	Amortized cost	\$ 98,305	\$ 98,305
Share investments	Available-for-sale	Mandatorily at fair value through profit or loss (FVTPL)	-	-
Other financial assets	Loans and receivables	Amortized cost	14,524	14,524
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	58,594	58,594
Refundable deposits	Loans and receivables	Amortized cost	140	140

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018
<u>FVTPL</u>	\$ -			
Remeasurement of financial assets at cost (IAS 39)	<u>-</u>	\$ <u>-</u>	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Amortized cost</u>				
Add: Reclassification from loans and receivables (IAS 39)	<u>-</u>	<u>171,563</u>	<u>-</u>	<u>171,563</u>
	<u>-</u>	<u>171,563</u>	<u>-</u>	<u>171,563</u>
	<u>\$ -</u>	<u>\$ 171,563</u>	<u>\$ -</u>	<u>\$ 171,563</u>

- a) Un-listed shares that were previously measured at cost under IAS 39 were classified as at FVTPL under IFRS 9. After remeasurement by fair value, the related adjustments comprised no significant difference on financial assets measured through FVTPL and retained earning on January 1, 2018.
- b) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9. As a result of retrospective application, the related adjustments comprised no significant difference in loss allowance on January 1, 2018.

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

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

IFRS 15 require that a good or service is distinct if it is capable of being distinct. For the sales of products by the Company, there are no service provisions. There are no transactions where goods and services are integrated, and there are also no authorized trade and other transactions within the Company. Hence, IFRS 15 and its related amendments have no material impact on the Company.

- b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed by the FSC for application starting from 2019

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

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

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

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

- IFRS 16 “Leases”

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

Definition of a lease

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

The Company as lessee

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

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Right-of-use assets	\$ <u>-</u>	\$ <u>3,873</u>	\$ <u>3,873</u>
Total effect on assets	\$ <u>-</u>	\$ <u>3,873</u>	\$ <u>3,873</u>
Lease liabilities	\$ <u>-</u>	\$ <u>3,873</u>	\$ <u>3,873</u>
Total effect on liabilities	\$ <u>-</u>	\$ <u>3,873</u>	\$ <u>3,873</u>

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period. 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.

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

d. Foreign currencies

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

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

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

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

e. Inventories

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

f. Property, plant and equipment

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

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

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

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

g. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

h. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest Company of cash-generating units on a reasonable and consistent basis of allocation.

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

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

i. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into financial assets at FVTPL, and financial assets at amortized cost.

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash, note receivables at amortized cost, trade receivables, other receivables, other financial assets and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

2017

Financial assets are classified into available-for-sale financial assets, and loans and receivables.

i. Available-for-sale financial assets

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

ii. Loans and receivables

Loans and receivables (including notes receivable, trade receivables, cash, other financial assets and other receivables) are measured using the effective interest method at amortized cost less any impairment, except for short-term receivables when the effect of discounting is immaterial.

b) Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

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

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

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

For financial assets carried at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, and an increase in the number of delayed payments in the portfolio past the average credit period.

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

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

For financial assets that are measured at cost, the amount of the impairment loss is measured as the difference between such an asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

c) Derecognition of financial assets

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

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

2) Equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the financial liabilities at fair value through profit or loss, all financial liabilities are carried at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

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

j. Revenue recognition

1) Sale of goods

2018

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

Revenue from the sale of goods:

Revenue from the sale of goods comes from sales of plastic cards and membrane switches etc. Sales of goods are recognized as revenue when the goods are delivered to the client's designated locations or part of foreign credit cards have been delivered to the client's designated location and have been completely examined by the client. The client has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

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

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Interest income

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

k. Leasing

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

The Company as lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term.

l. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

n. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability are settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

The carrying amount of inventory after deducting allowance account at December 31, 2018 and 2017 is disclosed in Note 11.

b. Realization of deferred income tax assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, tax holidays, the amount of tax credits to be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets. The carrying amount of deferred income tax assets at December 31, 2018 and 2017 is disclosed in Note 21.

c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of related expenses and liabilities. The carrying amount of net defined benefit liabilities at December 31, 2018 and 2017 is disclosed in Note 18.

6. CASH

	<u>December 31</u>	
	2018	2017
Cash on hand	\$ 194	\$ 194
Checking accounts and demand deposits	<u>72,424</u>	<u>98,111</u>
	<u>\$ 72,618</u>	<u>\$ 98,305</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	2018	2017
Demand deposits	0.001%-0.48%	0.001%-0.30%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS-2018

	December 31, 2018
<u>Non-current</u>	
Overseas unlisted common shares	\$ <u> -</u>

8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
<u>Current</u>	
Pledged time deposits (a)	\$ 8,376
Cash deposits (b)	<u>3,135</u>
	<u>\$ 11,511</u>
<u>Non-current</u>	
Pledged time deposits (a)	\$ 2,000
Cash deposits (b)	<u>4,569</u>
	<u>\$ 6,569</u>

- a. Pledged time deposits were classified as other financial assets - current under IAS 39. Refer to Note 3, Note 13 "other financial assets - current - 2017" and Note 15 "other assets" for information relating to their reclassification and comparative information.
- b. Cash deposits were classified as other financial assets - current and non-current under IAS 39. Refer to Note 3, Note 13 "other financial assets - current - 2017" and Note 15 "other assets" for information relating to their reclassification and comparative information.

- c. Refer to Note 28 for information relating to investments in financial assets at amortized cost pledged as security.

9. FINANCIAL ASSETS MEASURED AT COST

**December 31,
2017**

Non-current

Overseas unlisted common shares \$ -

In June 1989, the Company invested \$11,497 thousand (\$9,676 thousand pesos) to establish Tsuchiya Kogyo (Phils) Inc. and held all of this investee's shares. In August 1991, the Company sold 51% of its holding in the investee. As of December 31, 1996, Tsuchiya Kogyo (Phils) Inc. had a negative net equity value; thus, the Company recognized an investment loss of \$2,667 thousand. After Tsuchiya Kogyo (Phils) Inc. increased its capital several times and the Company ceased making any new investment, the ownership percentages of the Company in December 31, 2018 and 2017 were both 4.56%.

Management believed that the above unlisted equity investments held by the Company, whose fair value cannot be reliably measured due to the range of reasonable fair value estimates was so significant; therefore, they were measured at cost less impairment at the end of the reporting period.

10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	December 31	
	2018	2017
<u>Notes receivable</u>		
Notes receivable - operating	\$ 981	\$ 2,722
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 981</u>	<u>\$ 2,722</u>
<u>Trade receivables</u>		
Trade receivables - operating	\$ 96,132	\$ 55,170
Less: Allowance for impairment loss	<u> -</u>	<u> -</u>
	<u>\$ 96,132</u>	<u>\$ 55,170</u>

Trade Receivables

2018

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

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Company's different customer base.

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

The following table details the loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2018

	Not Past Due	1 to 30 Days	31 to 90 Days	91 to 150 Days	Over 150 Days	Total
Expected credit loss rate	0%	0%	0%	0%	0%	-
Gross carrying amount	\$ 88,895	\$ 5,796	\$ 1,254	\$ 18	\$ 169	\$ 96,132
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 88,895</u>	<u>\$ 5,796</u>	<u>\$ 1,254</u>	<u>\$ 18</u>	<u>\$ 169</u>	<u>\$ 96,132</u>

2017

The average credit period on sales of goods was 30-120 days. In determining the recoverability of a trade receivable, the Company considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. The Company recognized an allowance for impairment loss of 100% against all receivables over 365 days because historical experience had been that receivables that are past due beyond 365 days are not recoverable. Allowance for impairment loss was recognized against trade receivables within 365 days based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of trade receivables was as follows:

	December 31, 2017
0-30 days	\$ 29,207
31-90 days	23,680
91-150 days	2,278
151-365 days	5
More than 366 days	<u>-</u>
	<u>\$ 55,170</u>

The above aging schedule was based on the invoice date.

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

	December 31, 2017
1-30 days	\$ 683
31-90 days	5
91-150 days	-
151-365 days	-
More than 366 days	<u>-</u>
	<u>\$ 688</u>

The allowance for doubtful trade receivables at December 31, 2018 and 2017 were not individually determined as impaired.

11. INVENTORIES

	December 31	
	2018	2017
Raw materials	\$ 34,455	\$ 88,001
Supplies	5,054	4,861
Work in process	18,609	24,650
Finished goods	25,572	21,796
Less: Allowance for inventory devaluation	<u>(6,274)</u>	<u>(6,274)</u>
	<u>\$ 77,416</u>	<u>\$ 133,034</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were \$572,111 thousand and \$609,662 thousand, respectively.

The cost of goods sold for the years ended December 31, 2018 and 2017 included income generated from selling reusable waste materials of \$1,047 thousand and \$1,514 thousand, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2017	\$ 294,755	\$ 219,185	\$ 392,563	\$ 42,333	\$ 948,836
Additions	-	-	9,341	1,788	11,129
Reclassification	-	-	4,184	-	4,184
Disposals	<u>-</u>	<u>-</u>	<u>(45,389)</u>	<u>(2,496)</u>	<u>(47,885)</u>
Balance at December 31, 2017	<u>\$ 294,755</u>	<u>\$ 219,185</u>	<u>\$ 360,699</u>	<u>\$ 41,625</u>	<u>\$ 916,264</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2017	\$ -	\$ 84,710	\$ 301,807	\$ 28,651	\$ 415,168
Disposals	-	-	(45,367)	(2,393)	(47,760)
Depreciation expense	<u>-</u>	<u>7,244</u>	<u>19,033</u>	<u>2,922</u>	<u>29,199</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 91,954</u>	<u>\$ 275,473</u>	<u>\$ 29,180</u>	<u>\$ 396,607</u>
Carrying amounts at December 31, 2017	<u>\$ 294,755</u>	<u>\$ 127,231</u>	<u>\$ 85,226</u>	<u>\$ 12,445</u>	<u>\$ 519,657</u>

(Continued)

	Freehold Land	Buildings	Machinery and Equipment	Other Equipment	Total
<u>Cost</u>					
Balance at January 1, 2018	\$ 294,755	\$ 219,185	\$ 360,699	\$ 41,625	\$ 916,264
Additions	-	2,294	16,225	3,730	22,249
Reclassification	-	-	4,913	-	4,913
Disposals	-	-	(23,440)	(284)	(23,724)
Balance at December 31, 2018	<u>\$ 294,755</u>	<u>\$ 221,479</u>	<u>\$ 358,397</u>	<u>\$ 45,071</u>	<u>\$ 919,702</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2018	\$ -	\$ 91,954	\$ 275,473	\$ 29,180	\$ 396,607
Disposals	-	-	(21,056)	(246)	(21,302)
Depreciation expense	-	5,049	19,847	4,830	29,726
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 97,003</u>	<u>\$ 274,264</u>	<u>\$ 33,764</u>	<u>\$ 405,031</u>
Carrying amounts at December 31, 2018	<u>\$ 294,755</u>	<u>\$ 124,476</u>	<u>\$ 84,133</u>	<u>\$ 11,307</u>	<u>\$ 514,671</u>

(Concluded)

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

Buildings	
Main buildings	10-50 years
Utility equipment	2-10 years
Other facilities	3-30 years
Machinery and equipment	2-15 years
Other equipment	2-10 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

13. OTHER FINANCIAL ASSETS - CURRENT - 2017

	December 31, 2017
Cash deposits	\$ 4,649
Pledged time deposits	<u>5,283</u>
	<u>\$ 9,932</u>
The interest rate intervals of cash in bank	1.00%-1.205%

Other financial assets pledged as collateral are disclosed in Note 28.

14. INTANGIBLE ASSETS

	December 31	
	2018	2017
Computer software	<u>\$ 1,929</u>	<u>\$ 1,913</u>

Intangible assets are amortized over the finite useful lives of 2-3 years on a straight-line basis.

15. OTHER ASSETS

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Current</u>		
Other receivables	\$ 355	\$ 702
Prepayments for purchases	2,910	1,403
Prepayments	3,195	4,219
Others	<u>339</u>	<u>2,730</u>
	<u>\$ 6,799</u>	<u>\$ 9,054</u>
<u>Non-current</u>		
Other financial assets - 2017 (Note)	\$ -	\$ 4,592
Refundable deposits	140	140
Prepayments for equipment	3,209	4,913
Long-term prepayments	<u>4,683</u>	<u>5,422</u>
	<u>\$ 8,032</u>	<u>\$ 15,067</u>

Note: Cash deposits and pledged time deposits were recognized as other financial assets-2017. The detailed information of pledged time deposits is disclosed in Note 28.

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Unsecured borrowings</u>		
Bank loans	<u>\$ 20,000</u>	<u>\$ 20,000</u>
<u>Interest rate intervals</u>		
Unsecured borrowings	1.7000%	1.6385%

b. Long-term borrowings

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Secured borrowings</u>		
Shulin Farmers Association (1)	\$ 94,680	\$ 104,467
Sanxia Farmers Association (2)	10,013	23,366
Less: Current portion	<u>(20,002)</u>	<u>(24,253)</u>
	<u>\$ 84,691</u>	<u>\$ 103,580</u>

Interest rate intervals

- 1) Freehold lands and buildings are pledged as collateral for secured borrowings from Shulin Farmers Association (refer to Note 28). The term of borrowings is from August 2012 to August 2027. The loan shall be repaid on monthly basis. The Company paid off \$4,000 thousand of the principal amount in borrowing undertaken ahead of schedule in November 2017.
- 2) The bank loan is the contract of long-term syndicated borrowings from Sanxia Farmer Association in New Taipei City secured by the Company's pledged freehold land and buildings (refer to Note 28). There are four Farmers Association in total which issued syndicated borrowings to the Company. Total borrowings issued was \$93,000 thousand, the period of the loan is from August 31, 2012 to August 31, 2019. The first repayment was made in September 2012, and afterwards the loan would be repaid monthly, with a total of 84 principal repayments and monthly interest repayments. The interest rate is a fixed deposit rate of Agricultural Bank of Taiwan plus 0.994% floating interest rate.

17. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Other payables - current</u>		
Payable for salaries and bonus	\$ 42,527	\$ 33,044
Payable for processing cost	15,026	12,449
Payable for purchase of equipment	2,428	1,304
Others (a)	<u>18,523</u>	<u>22,204</u>
	<u>\$ 78,504</u>	<u>\$ 69,001</u>
<u>Other liabilities - current</u>		
Unearned sales revenue	\$ 506	\$ 28,778
Others (b)	<u>741</u>	<u>688</u>
	<u>\$ 1,247</u>	<u>\$ 29,466</u>

- a. Other payables - current are mainly payables for insurance, pension cost, employee benefits, remuneration to directors and supervisors and professional service fees.
- b. Other liabilities - current are mainly temporary receipts and receipts under custody.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. For the years ended December 31, 2018 and 2017, the Company contributed amounts equal to 6%, of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the “Bureau”); the Company has no right to influence the investment policy and strategy.

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

	<u>December 31</u>	
	2018	2017
Present value of defined benefit obligation	\$ 72,211	\$ 76,586
Fair value of plan assets	<u>(35,881)</u>	<u>(29,527)</u>
Net defined benefit liability	<u>\$ 36,330</u>	<u>\$ 47,059</u>

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	\$ <u>76,112</u>	\$ <u>(26,292)</u>	\$ <u>49,820</u>
Service cost			
Current service cost	541	-	541
Net interest expense (income)	<u>1,047</u>	<u>(383)</u>	<u>664</u>
Recognized in profit or loss	<u>1,588</u>	<u>(383)</u>	<u>1,205</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	131	131
Actuarial loss - changes in financial assumptions	3,216	-	3,216
Actuarial loss - experience adjustments	<u>(4,330)</u>	<u>-</u>	<u>(4,330)</u>
Recognized in other comprehensive income	<u>(1,114)</u>	<u>131</u>	<u>(983)</u>
Contributions from the employer	<u>-</u>	<u>(2,983)</u>	<u>(2,983)</u>
Balance at December 31, 2017	<u>76,586</u>	<u>(29,527)</u>	<u>47,059</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Service cost			
Current service cost	\$ 475	\$ -	\$ 475
Net interest expense (income)	<u>1,053</u>	<u>(471)</u>	<u>582</u>
Recognized in profit or loss	<u>1,528</u>	<u>(471)</u>	<u>1,057</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(710)	(710)
Actuarial loss - changes in financial assumptions	1,760	-	1,760
Actuarial loss - experience adjustments	<u>971</u>	<u>-</u>	<u>971</u>
Recognized in other comprehensive income	<u>2,731</u>	<u>(710)</u>	<u>2,021</u>
Contributions from the employer	<u>-</u>	<u>(9,280)</u>	<u>(9,280)</u>
Benefit paid	(4,107)	4,107	-
Liabilities extinguished on settlement	<u>(4,527)</u>	<u>-</u>	<u>(4,527)</u>
Balance at December 31, 2018	<u>\$ 72,211</u>	<u>\$ (35,881)</u>	<u>\$ 36,330</u> (Concluded)

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

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

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

	December 31	
	2018	2017
Discount rates	1.250%	1.375%
Expected rates of salary increase	3.000%	3.000%

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Discount rates		
0.25% increase	<u>\$ (2,306)</u>	<u>\$ (2,518)</u>
0.25% decrease	<u>\$ 2,413</u>	<u>\$ 2,636</u>
Expected rates of salary increase		
0.25% increase	<u>\$ 2,333</u>	<u>\$ 2,551</u>
0.25% decrease	<u>\$ (2,242)</u>	<u>\$ (2,451)</u>

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
The expected contributions to the plan over the next 12 months	<u>\$ 3,163</u>	<u>\$ 9,473</u>
The average duration of the defined benefit obligation	13.1 years	13.5 years

19. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Numbers of shares authorized (in thousands)	<u>60,000</u>	<u>60,000</u>
Shares authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Number of shares issued and fully paid (in thousands)	<u>19,566</u>	<u>19,566</u>
Shares issued	<u>\$ 195,659</u>	<u>\$ 195,659</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

The shareholders' meeting on June 16, 2017 had concluded and approved the issuance of share capital from operating surplus of \$8,474 thousand by issuing 847 thousand shares at \$10 per share. The board of directors meeting on August 6, 2017 had approved the issue of new capital and shares on July 8, 2016.

The board of directors had concluded and approved the issuance of ordinary shares for cash of 1,771 thousand shares at \$10 per share on August 11, 2017. The transaction was approved by the TPEX in the certification letter No. 10600024920 on September 12, 2017, and the subscription base date was determined as at November 1, 2017, totaling \$61,362 thousand. The total amount of shares issued was \$195,659 thousand after the approval.

b. Capital surplus

The capital surplus from shares issued in excess of par and transaction of treasury shares may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed in cash or transferred to share capital limited to a certain percentage of the Company's paid-in capital and once a year.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the amended Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonuses to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employee benefits expense in Note 20-f.

The Company's dividend policy corresponds with the current and future plans of the Company, which takes into consideration the fund requirements, business environments, industry competition (domestic and international), benefits to shareholders, etc. The distribution of surplus shall be no less than 20% of the share dividend and the accumulated distributable surplus shall be no less than 20% of the share capital. No distribution is required when the Company recorded net loss or accumulated surplus less than 20% of paid-up capital in the financial years. In addition, the dividends can be distributed in the form of cash or shares, and the cash dividend shall be no less than 10% of the total dividends distributed.

An appropriation of earnings to the legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2017 and 2016 which were approved in the shareholders' meetings on June 15, 2018 and June 16, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	2017	2016	2017	2016
Legal reserve	\$ 4,249	\$ 4,618	\$ -	\$ -
Cash dividends	25,436	8,474	1.3	0.5
Share dividends	-	8,474	-	0.5

The appropriations of earnings for 2018 had been proposed by the Company's board of directors on March 22, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 5,400	\$ -
Cash dividends	35,219	1.8

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in their meeting to be held on June 21, 2019.

d. Special reserves

On first adoption of IFRSs, the Company appropriated any unrealized revaluation increments and cumulative translation differences to retained earnings, which amounted to \$123,276 thousand and \$(3,528) thousand, respectively.

However, the increase in retained earnings that resulted from all IFRSs adjustments was not sufficient for this appropriation (i.e. lesser transferred amount of revaluation and translation); as a result, the Company appropriated a special reserve from the increase of \$72,154 thousand in retained earnings resulted from the new adoption. This reserve can be reversed by future additions, disposals, and reclassifications of relevant assets. The appropriated special reserve resulting from first adoption of IFRSs can also be used as compensation for future losses. Prior to the reversal of special reserve, the future earnings going forward should be appropriated to compensate the loss.

20. NET INCOME

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	\$ 173	\$ 136
Others	<u>4,402</u>	<u>1,740</u>
	<u>\$ 4,575</u>	<u>\$ 1,876</u>

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Loss on disposal of property, plant and equipment	\$ (1,844)	\$ (106)
Net gains (losses) on foreign currency exchange	2,538	(1,571)
Others	<u>(1,644)</u>	<u>-</u>
	<u>\$ (950)</u>	<u>\$ (1,677)</u>

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	<u>\$ 2,811</u>	<u>\$ 4,932</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Depreciation of property, plant and equipment	\$ 29,726	\$ 29,199
Amortization	<u>861</u>	<u>245</u>
	<u>\$ 30,587</u>	<u>\$ 29,444</u>

(Continued)

	For the Year Ended December 31	
	2018	2017
An analysis of depreciation by function		
Operating costs	\$ 26,050	\$ 26,681
Operating expenses	<u>3,676</u>	<u>2,518</u>
	<u>\$ 29,726</u>	<u>\$ 29,199</u>
An analysis of amortization by function		
Operating costs	\$ 209	\$ 245
Operating expenses	<u>652</u>	<u>-</u>
	<u>\$ 861</u>	<u>\$ 245</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Post-employment benefits (refer to Note 18)		
Defined contribution plans	\$ 5,902	\$ 9,105
Defined benefit plans	<u>1,057</u>	<u>1,205</u>
	6,959	10,310
Salary and bonus etc.	165,303	150,084
Other employee benefits	<u>20,849</u>	<u>20,558</u>
	<u>\$ 193,111</u>	<u>\$ 180,952</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 115,552	\$ 107,059
Operating expenses	<u>77,559</u>	<u>73,893</u>
	<u>\$ 193,111</u>	<u>\$ 180,952</u>

f. Employees' compensation and remuneration of directors

The Company accrued employees' compensation and remuneration of directors at rates of no less than 2% and no higher than 5%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 22, 2019 and March 23, 2018, respectively, were as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation - cash	4%	4%
Remuneration of directors - cash	3%	3%

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation - cash	\$ 2,852	\$ 2,341
Remuneration of directors - cash	2,139	1,755

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

The actual amount of the compensation of employees and remuneration of directors paid in 2018 and 2017 is consistent with the amount recognized in the financial statements for the years ended December 31, 2018 and 2017.

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

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	\$ 4,204	\$ 4,595
Foreign exchange losses	<u>(1,666)</u>	<u>(6,166)</u>
Net gain	<u>\$ 2,538</u>	<u>\$ (1,571)</u>

21. INCOME TAX

a. Major components of income tax expense recognized in profit or loss:

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	\$ 9,588	\$ 8,387
Income tax on unappropriated earnings	1,362	2,016
Adjustments for prior years	-	1,359
Deferred tax		
In respect of the current year	2,725	164
Adjustments to deferred tax attributable to changes in tax rates and laws	<u>(1,376)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 12,299</u>	<u>\$ 11,926</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Income before income tax	\$ <u>66,300</u>	\$ <u>54,416</u>
Income tax expense calculated at the statutory rate (20% and 17% in 2018 and 2017, respectively)	\$ 13,260	\$ 9,251
Nondeductible expenses in determining taxable income	21	-
Income tax on unappropriated earnings	1,362	2,016
Adjustments to deferred tax attributable to changes in tax rates and laws	(1,376)	-
Investment credits	(968)	(700)
Adjustments for prior years' tax	<u>-</u>	<u>1,359</u>
Income tax expense recognized in profit or loss	\$ <u>12,299</u>	\$ <u>11,926</u>

In 2017, the applicable corporate income tax rate used by the entities in the Republic of China ("ROC") was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings had been reduced from 10% to 5%.

As the status of 2018 appropriations of earnings is uncertain, the potential income tax consequences of the 5% unappropriated earnings in 2017 are not reliably determinable.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Deferred tax</u>		
Adjustments to deferred tax attributable to changes in tax rates and laws	\$ 245	\$ -
In respect of the current year:		
Remeasurement on defined benefit plan	<u>404</u>	<u>167</u>
Total income tax recognized in other comprehensive income	\$ <u>649</u>	\$ <u>167</u>

c. Current tax liabilities

	<u>December 31</u>	
	2018	2017
Income tax payable	\$ <u>6,406</u>	\$ <u>8,657</u>

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory devaluation	\$ 1,066	\$ 189	\$ -	\$ 1,255
Defined benefit obligation	7,973	(1,388)	649	7,234
Others	<u>146</u>	<u>(139)</u>	<u>-</u>	<u>7</u>
	<u>\$ 9,185</u>	<u>\$ (1,338)</u>	<u>\$ 649</u>	<u>\$ 8,496</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 19,161	-	\$ -	\$ 19,161
Others	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
	<u>\$ 19,161</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 19,172</u>

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Allowance for inventory devaluation	\$ 1,066	\$ -	\$ -	\$ 1,066
Defined benefit obligation	8,442	(302)	(167)	7,973
Others	<u>8</u>	<u>138</u>	<u>-</u>	<u>146</u>
	<u>\$ 9,516</u>	<u>\$ (164)</u>	<u>\$ (167)</u>	<u>\$ 9,185</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 19,161	\$ -	\$ -	\$ 19,161

e. Information about unused loss carry-forward and tax-exemption

As of December 31, 2018, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<u>Expansion Project</u>	<u>Tax-exemption Period</u>
2010 expansion project	2014.01.01-2018.12.31

The Company started an expansion plan in 2010 through application for the right to produce plastics products, metal products, electronic components, computers, electronic products and optics products. As of August 18, 2011, this plan was approved by the Industrial Development Bureau, Ministry of Economic Affairs, for a five-year tax exemption incentive from July 1, 2008 to December 31, 2009. The project was approved for completion.

f. Income tax assessments

The income tax returns of the Company through 2016 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Net income	<u>\$ 54,001</u>	<u>\$ 42,490</u>
Weighted average number of ordinary shares in computation of basic earnings per share (in thousands of shares)	19,566	18,091
Effect of potentially dilutive ordinary shares:		
Employees' compensation (in thousands of shares)	<u>118</u>	<u>119</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share (in thousands of shares)	<u>19,684</u>	<u>18,210</u>

If the Company offered to settle compensation paid to employees in cash or shares, the Company assumed the entire amount of the compensation would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares was included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

23. NON-CASH TRANSACTIONS

The Company distributed share dividend on ordinary shares which amounted to \$8,474 thousand in 2017.

24. OPERATING LEASE ARRANGEMENTS

The car lease contract will expire in April 2021 and can be extended upon expiry.

The future minimum lease payments of non-cancellable operating lease commitments were as follows:

	December 31	
	2018	2017
Not later than 1 year	\$ 2,893	\$ 3,011
Later than 1 year and not later than 5 years	1,751	4,226
Later than 5 years	<u>-</u>	<u>-</u>
	<u>\$ 4,644</u>	<u>\$ 7,237</u>

Rental payments recognized in expenses were as follows:

	For the Year Ended December 31	
	2018	2017
Minimum lease payment	<u>\$ 3,163</u>	<u>\$ 3,093</u>

25. CAPITAL MANAGEMENT

In consideration of the prevailing industry dynamics and the future development as well as the changes in external economic environment, the Company manages its working capital and future dividend needs to ensure that the Company will be able to continue as going concerns while maximizing the return to shareholders as well as other related parties through the optimization of capital structure.

The Company could make adjustment to dividends or new shares in order to maintain or adjust the capital structure.

26. FINANCIAL INSTRUMENTS

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

Management believes the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

The Company did not have financial assets and liabilities, that were measured at fair value for the years ended December 31, 2018 and 2017.

There were no transfers between Levels 1 and 2 for the years ended December 31, 2018 and 2017.

c. Categories of financial instruments

	December 31	
	2018	2017
<u>Financial assets</u>		
Loans and receivables (1)	\$ -	\$ 171,563
Measured at amortized cost	188,305	-

(Continued)

	December 31	
	2018	2017

Financial liabilities (2)

Measured at amortized cost (3)	\$ 181,738	\$ 227,640 (Concluded)
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- 1) The balances included loans and receivables measured at amortized cost, which comprised of cash, notes receivable, trade receivables and other receivables (excluding tax receivables), refundable deposits, and other financial assets.
- 2) The balances included financial assets at amortized cost, which comprised of cash, debt investments, notes receivable and trade receivables, other receivables (excluding tax receivables) and refundable deposits.
- 3) The balances included financial liabilities measured at amortized cost, which comprised of short-term and long-term loans (including current portion) and trade and other payables (excluding payables for salary, bonus, pension cost, and taxation).

d. Financial risk management objectives and policies

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

1) Market risk

The Company's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (refer to (a) below) and interest rates (refer to (b) below).

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

a) Foreign currency risk

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

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 30.

Sensitivity analysis

The Company was mainly exposed to the U.S. dollar (US\$) and Japanese Yen (JPY).

The following table details the Company's sensitivity to a 1% increase and decrease in the New Taiwan dollar (functional currency) against the relevant foreign currencies. 1% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with NT\$ weakening 1% against the relevant currency. For a 1% strengthening of NT\$ against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	Currency Impact (US\$)		Currency Impact (JPY)	
	For the Year Ended December 31			
	2018	2017	2018	2017
Profit or loss	\$ 263 (i)	\$ 360 (i)	\$ 36 (ii)	\$ 246 (ii)

- i. This was mainly attributable to the exposure outstanding on cash, receivables and payables in US\$, which were not hedged at the end of the reporting period.
- ii. This was mainly attributable to the exposure outstanding on cash, receivables and payables in JPY, which were not hedged at the end of the reporting period.

The Company's sensitivity to foreign currency did not have significant difference for the years ended December 31, 2018 and 2017.

b) Interest rate risk

The Company was exposed to interest rate risk because the Company borrowed funds at floating interest rates.

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

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 10,376	\$ 7,283
Financial liabilities	124,693	127,833
Cash flow interest rate risk		
Financial assets	72,424	98,111
Financial liabilities	-	20,000

Sensitivity analysis

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

If interest rates had been 1% higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2018 and 2017 would increase/decrease by \$724 thousand and \$781 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank deposits and borrowings.

The Company's sensitivity to interest rates did not have significant difference for the years ended December 31, 2018 and 2017.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily trade receivables.

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

The Company did not have significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics, except for the clients with trade receivables accounting for 5% of total monetary assets. The Company defines counterparties as having similar characteristics if they are related entities. The receivables from the clients with trade receivables accounting for 5% of total monetary assets amounted to \$34,770 thousand and \$11,867 thousand as of December 31, 2018 and 2017, respectively. Concentration of credit risk to any other counterparty did not exceed 5% of total monetary assets at any time during the years ended December 31, 2018 and 2017.

3) Liquidity risk

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

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

December 31, 2018

	0-6 Months	7 Months to 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 57,139	\$ -	\$ -
Variable interest rate liabilities	-	-	-
Fixed interest rate liabilities	<u>33,803</u>	<u>8,142</u>	<u>91,495</u>
	<u>\$ 90,942</u>	<u>\$ 8,142</u>	<u>\$ 91,495</u>

December 31, 2017

	0-6 Months	7 Months to 1 Year	1+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 79,807	\$ -	\$ -
Variable interest rate liabilities	20,059	-	-
Fixed interest rate liabilities	<u>13,903</u>	<u>12,724</u>	<u>112,284</u>
	<u>\$ 113,769</u>	<u>\$ 12,724</u>	<u>\$ 112,284</u>

27. TRANSACTIONS WITH RELATED PARTIES

Details of transactions between the Company and related parties are disclosed below:

a. Related parties' name and category

<u>Name</u>	<u>Category</u>
Terry Wang	Chairman of the Company

b. Endorsement and guarantees

	December 31, 2017
Chairman	
Amount endorsed	<u>\$ 147,833</u>
Borrowed amount	<u>\$ 147,833</u>

For the year ended December 31, 2018: None.

For the year ended December 31, 2017, the Company had bank borrowings in which the amount was endorsed by the chairman, Terry Wang.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	\$ 16,429	\$ 14,969
Post-employment benefits	<u>315</u>	<u>332</u>
	<u>\$ 16,744</u>	<u>\$ 15,301</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

28. ASSETS PLEDGED AS COLLATERAL

The following assets were provided as collateral for bank borrowings:

	December 31	
	2018	2017
Pledged time deposits (classified as financial assets at amortized cost-current/non-current and other financial assets - current)	\$ 10,376	\$ 5,283
Pledged time deposits (classified as other non-current assets)	-	2,000
Lands	294,755	294,755
Buildings, net	<u>124,476</u>	<u>127,231</u>
	<u>\$ 429,607</u>	<u>\$ 429,269</u>

29. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

- a. In March 22, 2019, the board of directors had concluded and approved the issuance of 605 thousand restricted shares under the share award scheme at \$10 per share or its multiples. The total amount of shares issued was \$6,050 thousand. Shares are given to the employees who meet the certain conditions of the Company.
- b. In March 22, 2019, the board of directors had concluded and approved the issuance of 373 employee share option certificates. Each certificate can subscribe for one thousand shares or its multiples. The shares are given to the employees who meet the certain conditions of the Company. The holders will be given a proportion of certificates after two years from the date of issue. The strike price is 50% of the market price of employee share option certificates issued.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currency of the Company and the exchange rates between foreign currencies and respective functional currency were disclosed as follows:

December 31, 2018

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,311	30.715 (USD:NTD)	\$ 40,252
JPY	13,763	0.2782 (JPY:NTD)	<u>3,829</u>
			<u>\$ 44,081</u>

Financial liabilities

Monetary items			
USD	455	30.715 (USD:NTD)	\$ 13,996
JPY	792	0.2782 (JPY:NTD)	<u>220</u>
			<u>\$ 14,216</u>

December 31, 2017

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,310	29.76 (USD:NTD)	\$ 68,748
JPY	93,273	0.2642 (JPY:NTD)	<u>24,643</u>
			<u>\$ 93,391</u>

Financial liabilities

Monetary items			
USD	1,099	29.76 (USD:NTD)	<u>\$ 32,702</u>

The Company is mainly exposed to the exchange rate risk of USD and JPY. For the significant realized and unrealized foreign exchange gains (losses), refer to Note 20.

31. DISCLOSED ITEMS

- a. Information about significant transactions and b. investees
- 1) Financing provided to others. (None)
 - 2) Endorsements/guarantees provided. (None)
 - 3) Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities). (Table 1)
 - 4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital. (None)
 - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 - 9) Trading in derivative instruments. (None)
 - 10) Information on investees. (None)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (None)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses. (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the trade receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

- f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

32. SEGMENT INFORMATION

Information reported to the chief operating decision makers for the purpose of resource allocation and assessment of segment performance focuses on the production segments. The Company's reportable segment is the name plate and card segment because the Company is mainly manufacturing and selling the name plates and cards and processing certain data of individuals in the years ended December 31, 2018 and 2017. The accounting policy of reportable segment is the same as the Note 4 "summary of significant accounting policies".

Segment Revenues and Results

The following was an analysis of the Company's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Profit/Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Name plate and card segment	<u>\$ 755,916</u>	<u>\$ 784,421</u>	\$ 65,486	\$ 59,149
Non-operating income and expenses			<u>814</u>	<u>(4,733)</u>
Profit before tax			<u>\$ 66,300</u>	<u>\$ 54,416</u>

Segment revenue reported above represents revenue generated from external customers. The Company did not sell any goods to related parties in 2018 and 2017.

Segment profit represents the profit by each segment without allocation of other income, other gains and losses, finance cost and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment Total Assets and Liabilities

The information of the Company's assets and liabilities is not reported to decision makers. Thus, the amount of segment total assets and liabilities are valued at zero.

Revenue from Major Products and Services

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

	For the Year Ended December 31	
	2018	2017
Cards	\$ 612,628	\$ 598,553
Name plates	130,466	168,349
Others	<u>12,822</u>	<u>17,519</u>
	<u>\$ 755,916</u>	<u>\$ 748,421</u>

Geographical Information

The Company only operates in one principal geographical area - Taiwan.

The Company's revenue from continuing operations from external customers by location of operations is the same as the amounts stated under segment revenues and results.

Information about Major Customers

Single customers contributed 10% or more to the Company's revenue were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
Customer A	\$ 198,393	26.25	\$ 288,297	36.75
Customer B	108,332	14.33	NA (Note)	

Note: The revenue of Customer B did not exceed 10% of the Company's revenue in 2017.

TAIWAN NAME PLATE CO., LTD.

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Type and Name of Marketable Securities	Relationship with the Company (Note1)	Financial Statement Account	December 31, 2018				Note
				Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Taiwan Name Plate Co., Ltd.	<u>Shares</u> Tsuchiya Kogyo (Phils.) Inc.		Financial assets measured at fair value through profit or loss - non-current	5,779,200	\$ -	4.56	\$ -	Note 3

Note 1: The marketable securities in the table above include shares, bonds and beneficiary certifications under the regulation of IFRS 9 “Financial Instrument”.

Note 2: If issuers of marketable securities are not related parties, the column will be blank.

Note 3: In December 31, 2018, the company recognized loss in retained earnings of \$2,667 thousands. No profit or loss occurred when financial assets are measured at fair value through profit or loss in the current year.