Stock Code: 4912

Lemtech Holdings Co., Limited
and subsidiaries

Consolidated Financial Report and Independent Auditor’s Report
2018 and 2017

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China, If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

§INDEX§

Auditor’s Report

To Lemtech Holdings Co., Limited:

Audit opinions

We have audited the accompanying consolidated balance sheet of Lemtech Holdings Co., Limited and its subsidiary (Lemtech Group) as of December 31, 2018 and 2017, and the related consolidated statement of income, consolidated statement of changes in shareholders equity, consolidated statement of cash flows, and Note of the consolidated financial statements (including major accounting policy) for the years then ended.

In my opinion, the financial statements as referred to present fairly, in all material aspects the financial position of Lemtech Group as of December 31, 2018 and 2017, and the results of its operations and cash flows for the years then ended conformity with the Regulation Governing the Preparation of Financial Reports by Securities Issuers, and applicable IFRS, IAS,SIC, and IFRIC as recognized by the Financial Supervisory Commission .

The basis for opinions

We conducted our audit in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants”, and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the responsibilities of auditors for the audit of the consolidated financial statements. We are independent of Lemtech Group in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the consolidated financial statements of Lemtech Group, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matter that, in our professional judgment, were of most significant in our audit of the consolidated statements of Lemtech Group in 2018. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on those matters.

Key audit procedures of the consolidated financial statements of Lemtech Group in 2018 included:

<u>Key audit matters: Recognition of revenue</u>

The consolidated total operating revenues in 2018 for Lemtech Group amounted to NT$6,043,090 thousand, which was NT$1,787,541 thousand more than NT$4,255,549 thousand realized in 2017, an increase of 42 percent. Based on the significance of accounting and Auditing Standards presuming revenue recognition as a significant risk, we have addressed whether operating revenues come from certain customers with specified qualifications actually occurred as a key audit matter. Refer to Note 4 and 23 for accounting policies on revenue recognition.

After reviewing the industry and local economic conditions of Lemtech Group, we have performed the following primary audit procedures:

1. Conducting comparative analysis of individual customers' percentage of sales, credit period, and percentage change in gross margin. Meanwhile, we have made further inquiries to those mentioned above that have substantial changes, and evaluated the reasonableness of those changes.
2. We have chosen appropriate samples from the sale of the account of Lemtech Group, and examined their original purchase orders, delivery orders and invoices which was confirmed by transaction counterparts. Meanwhile, in order to confirm the authenticity of the transaction information and evaluate the transfer of control of goods, we have verified whether the party names shown on the receipt vouchers are the same as those shown on the transaction certificates.
3. Investigating whether there are significant sales returns and allowances after balance sheet date, and furthermore verifying the authenticity of previous transactions. In addition, based on the credit periods of this type of customers, we have reviewed their conditions to determine if they were reasonable.

Responsibilities of Management and Those in Charge with Governance of the Consolidated Financial Statements

The responsibility of management is to prepare fairly presented consolidated financial statements in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, SIC recognized and published by the Financial Supervisory Commission and maintain necessary internal control related to the preparation of consolidation of financial statements in order to ensure the material misstatement caused by fraud or error does not exist in the consolidated financial statements.

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

Those in charge of governance (including the Auditing Committee) are responsible for overseeing the reporting process of Lemtech Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

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

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

The engagement partners on the audit resulting in this independent auditors’report are Jui-Chuan Chih and Li-Huang Lee.

Deloitte & Touche

Taipei, Taiwan (Republic of China)

March 27, 2019

<u>Notes to Readers</u>

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

The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

Unit: NT$ thousands

Code	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	CURRENT ASSETS				
1100	Cash and cash equivalents (Note 6 and 32)	$ 550,292	10	$ 609,909	13
1136	Financial assets at amortized cost - current (Note 8, 9 and 32)	3,842	-	-	-
1147	Debt investments with no active market - current (Note 10, 32 and 34)	-	-	155,728	3
1150	Notes receivable (Note 11 and 32)	5,379	-	25,076	1
1170	Accounts receivable (Note 11, 32 and 33)	2,220,152	41	1,811,281	38
1200	Other receivables (Note 11 and 32)	17,828	-	8,142	-
1220	Current tax assets (Note 25)	31	-	1,805	-
130X	Inventories (Note 12)	900,520	17	611,150	13
1410	Prepayments (Note 17)	103,923	2	97,320	2
1470	Other current assets	3,147	-	-	-
11XX	Total current assets	3,805,114	70	3,320,411	70
	NON-CURRENT ASSETS				
1550	Investments accounted for using the equity method (Note 14 and 33)	33,502	1	13,546	-
1600	Property, plant and equipment (Note 15)	1,230,891	23	970,751	21
1801	Net computer software (Note 16)	22,634	-	22,565	1
1840	Deferred income tax assets (Note 25)	20,847	-	17,196	-
1915	Prepayments for equipment (Note 17)	194,248	4	273,394	6
1920	Refundable deposits (Note 17)	2,977	-	6,719	-
1985	Long-term prepayments for leases (Note 17)	88,214	2	92,347	2
15XX	Total non-current assets	1,593,313	30	1,396,518	30
1XXX	TOTAL ASSETS	$ 5,398,427	100	$ 4,716,929	100
Code	**Liabilities and equity**				
	CURRENT LIABILITIES				
2100	Shot-term borrowings (Note 18, 32 and 34)	$ 1,009,466	19	$ 1,535,622	33
2120	Financial liabilities at fair value through profit or loss- Current (Note 7 and 32)	910	-	-	-
2130	Contract liability – current (Note 21 and 23)	66,510	1	-	-
2150	Notes payables (Note 20 and 32)	300,787	5	84,698	2
2170	Accounts payable (Note 20, 32 and 33)	1,134,173	21	996,452	21
2219	Other payables (Note 21 and 32)	200,410	4	155,747	3
2230	Current tax liabilities (Note 25)	13,318	-	8,766	-
2310	Advances (Note 33)	-	-	45,644	1
2320	Long-term borrowing maturing within one year (Note 18, 32 and 34)	-	-	119,246	3
2399	Other current liabilities (Note 21)	7,403	-	10,161	-
21XX	Total current liabilities	2,732,977	50	2,956,336	63
	NON-CURRENT LIABILITIES				
2530	Corporate bonds payable (Note 19)	576,478	11	-	-
2540	Long-term borrowings (Note 18)	-	-	22,320	1
2570	Deferred tax liabilities (Note 25)	208,160	4	111,441	2
2645	Deposits received	6,708	-	7,220	-
25XX	Total non-current liabilities	791,346	15	140,981	3
2XXX	Total liabilities	3,524,323	65	3,097,317	66
	Equity of the company (Note 22)				
	Capital stock				
3110	Common stock	395,411	7	395,411	8
3200	Capital surplus	784,347	15	678,811	15
	Retained earnings				
3320	Special reserve	13,500	-	28,925	-
3350	Undistributed earnings	662,990	13	363,944	8
3300	Total retained earnings	676,490	13	392,869	8
3410	Exchange differences from the translation of financial statements of foreign operations	1,375	-	7,821	-
31XX	Total equity of the company	1,857,623	35	1,474,912	31
36XX	NON-CONTROLLING INTEREST	16,481	-	144,700	3
3XXX	Total equity	1,874,104	35	1,619,612	34
	TOTAL LIABILITIES AND EQUITY	$ 5,398,427	100	$ 4,716,929	100

The notes attached shall constitute an integral part of this Consolidated financial statement.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

January 1 to December 31, 2018 and 2017

Unit: NT$ Thousand; except for earnings per share in NT$

		2018		2017	
Code		Amount	%	Amount	%
	OPERATING REVENUE (Note 23 and 33)				
4110	Sales revenue	$ 6,072,407	100	$ 4,274,318	100
4190	Sales return and discount	(29,317)	-	(18,769)	-
4000	Total operating revenue	6,043,090	100	4,255,549	100
5000	OPERATING COST (Note 12 and 33)	(4,757,020)	(79)	(3,382,778)	(79)
5900	GROSS PROFIT	1,286,070	21	872,771	21
	OPERATING EXPENSES (Note 24)				
6100	Marketing expenses	(199,533)	(3)	(153,520)	(4)
6200	Administrative expenses	(316,674)	(5)	(254,101)	(6)
6300	Research and development expenses	(151,893)	(3)	(124,602)	(3)
6450	Expected credit impairment loss	(12,011)	-	-	-
6000	Total operating expenses	(680,111)	(11)	(532,223)	(13)
6900	NET OPERATING PROFIT	605,959	10	340,548	8
	NON-OPERATING INCOME AND EXPENSES (Note 24)				
7190	Other income	26,299	1	17,583	-
7020	Other gains and losses	(59,085)	(1)	59,189	1
7050	Financial costs	(45,642)	(1)	(22,045)	-
7060	Share of profits of associates	14,633	-	(955)	-
7000	Total non-operating income and expenses	(63,795)	(1)	53,772	1
7900	INCOME BEFORE INCOME TAX	542,164	9	394,320	9
7950	INCOME TAX EXPENSES (Note 25)	(136,761)	(2)	(79,804)	(2)
8200	NET INCOME	405,403	7	314,516	7

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Code		2018 Amount	2018 %	2017 Amount	2017 %
	OTHER COMPREHENSIVE INCOME (post-tax profit or loss)				
8310	Items that will not be reclassified subsequently to profit or loss:				
8341	Exchange differences arising on translation to the presentation currency	$ -	-	($ 3,438)	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translating the financial statements of foreign operations	(9,189)	-	25,637	1
8300	Other comprehensive income/(loss) for the year, net of income tax	(9,189)	-	22,199	1
8500	TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 396,214	7	$ 336,715	8
	NET PROFIT ATTRIBUTABLE TO:				
8610	The owners of the company	$ 382,474	6	$ 298,368	7
8620	Non-controlling interest	22,929	1	16,148	-
8600		$ 405,403	7	$ 314,516	7
	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
8710	The owners of the company	$ 376,028	6	$ 321,614	8
8720	Non-controlling interest	20,186	1	15,101	-
8700		$ 396,214	7	$ 336,715	8
	EARNINGS PER SHARE (Note 26)				
9710	Basic	$ 9.67		$ 7.55	
9810	Diluted	$ 9.49		$ 7.54	

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(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

January 1 to December 31, 2018 and 2017

Unit: NT$ thousands

		Equity of the company							
				Retained earnings					
Code		Capital stock	Capital surplus	Special reserve	Undistributed earnings	Exchange differences from the translation of financial statements of foreign operations	Total	Non-controlling interest	Total equity
A1	BALANCE AT JANUARY 1, 2017	$ 395,411	$ 747,057	$ 14,546	$ 254,761	($ 15,425)	$ 1,396,350	$ 129,599	$ 1,525,949
T1	Functional currency effects	-	(68,246)	(1,046)	(15,596)	-	(84,888)	-	(84,888)
	Appropriations of 2016 earnings:								
B3	Special reserve	-	-	15,425	(15,425)	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	(158,164)	-	(158,164)	-	(158,164)
D1	Net income in 2017	-	-	-	298,368	-	298,368	16,148	314,516
D3	Other comprehensive income for the year ended December 31, 2017, net of income tax	-	-	-	-	23,246	23,246	(1,047)	22,199
D5	Total comprehensive income for the year ended December 31, 2017	-	-	-	298,368	23,246	321,614	15,101	336,715
Z1	BALANCE AT DECEMBER 31, 2017	395,411	678,811	28,925	363,944	7,821	1,474,912	144,700	1,619,612
	Appropriations of 2017 earnings:								
B3	Special reserve	-	-	(15,425)	15,425	-	-	-	-
B5	Cash dividends distributed by the Company	-	-	-	(98,853)	-	(98,853)	-	(98,853)
	Other changes in capital surplus								
M5	Acquisition of partial interest in a subsidiary.	-	79,798	-	-	-	79,798	(79,798)	-
C5	Equity component of convertible bonds issued by the Company	-	25,738	-	-	-	25,738	-	25,738
D1	Net income in 2018	-	-	-	382,474	-	382,474	22,929	405,403
D3	Other comprehensive income for the year ended December 31, 2018, net of income tax	-	-	-	-	(6,446)	(6,446)	(2,743)	(9,189)
D5	Total comprehensive income for the year ended December 31, 2018	-	-	-	382,474	(6,446)	376,028	20,186	396,214
O1	Change in non-controlling interest	-	-	-	-	-	-	(68,607)	(68,607)
Z1	BALANCE AT DECEMBER 31, 2018	$ 395,411	$ 784,347	$ 13,500	$ 662,990	$ 1,375	$ 1,857,623	$ 16,481	$ 1,874,104

The notes attached shall constitute an integral part of this Consolidated financial statement.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

Lemtech Holdings Co., Limited and subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

January 1 to December 31, 2018 and 2017

Unit: NT$ thousands

Code		2018	2017
	CASH FLOWS FROM OPERATING ACTIVITIES		
A10000	Income before income tax	$ 542,164	$ 394,320
A20010	Profits and loss		
A20100	Depreciation expenses	170,333	104,608
A20200	Amortization expenses	5,632	4,869
A20300	Expected credit impairment loss	12,011	-
A20300	Impairment loss recognized on trade receivables	-	8,193
A20900	Financial costs	41,881	22,045
A21200	Interest income	(10,268)	(3,535)
A22300	Share of (profit)/loss of associates and joint ventures	(14,633)	955
A22500	(Gain)/loss on disposal of property, plant and equipment	527	(72)
A23200	Gain on disposal of associates	-	(499)
A20400	Net loss on fair value changes of financial liabilities designated as at fair value through profit or loss	1,990	-
A23700	Real estate impairment loss (reversal gain)	(3,640)	1,483
A23800	Inventory valuation and obsolescence losses	11,583	5,905
A24100	Foreign exchange gains- net	35,482	(75,692)
A29900	Amortization of prepayments for leases	2,295	2,270
A30000	Net change in operating assets and liabilities		
A31130	Decrease (increase) in notes receivable	19,697	(16,607)
A31150	Increase in accounts receivable	(420,329)	(688,056)
A31180	Decrease (increase) in other receivables	(9,867)	33,393
A31200	Increase in inventories	(293,103)	(136,614)
A31230	Increase in prepayments	(4,352)	(36,734)
A31240	Increase in other current assets	(3,147)	-
A32125	Increase in contract liability	66,510	-
A32130	Increase in notes payable	216,089	39,566
A32150	Increase in accounts payable	137,721	403,499
A32180	Increase (decrease) in other payables	45,134	(50,590)
A32210	(Decrease) increase in advance receipts	(45,644)	35,181
A32230	(Decrease) Increase in other current liabilities	(2,758)	1,703
A33000	Cash generated from operations	501,308	49,591

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Code		2018	2017
A33300	Interest paid	($ 35,840)	($ 20,926)
A33500	Income tax paid	(40,917)	(23,411)
AAAA	Net cash inflow from operating activities	424,551	5,254
	CASH FLOWS FROM INVESTING ACTIVITIES		
B07500	Interest received	10,449	3,744
B00050	Proceeds from sale of financial assets measured at cost	151,886	-
B00600	Purchase of debt investments with no active market	-	(145,223)
B00700	Proceeds from sale of debt investments with no active market	-	77,715
B01800	Acquisition of associates ventures	(8,987)	-
B02700	Purchase of property, plant, and equipment	(376,435)	(569,361)
B02800	Proceeds from disposal of property, plant and equipment	1,946	652
B04500	Purchase of intangible assets	(5,976)	(4,101)
B03700	Increase in refundable deposits	-	(546)
B03800	Decrease in Refundable deposits	3,742	-
BBBB	Net cash outflow from investing activities	(223,375)	(637,120)
	CASH FLOWS FROM FINANCING ACTIVITIES		
C01200	Proceeds from issuance of convertible bonds	597,375	-
C00100	(Decrease) Increase of short-term loan	(526,156)	1,039,416
C01700	Repayments of long-term borrowings	(141,566)	(119,314)
C03000	Increase in deposits received	-	281
C03100	Refunds of guarantee deposits received	(512)	-
C04500	Cash dividend distribution	(98,853)	(158,164)
C05500	Proceeds from disposal of partial interest in a subsidiary.	-	3,792
C05800	Change in non-controlling interest	(78,656)	-
CCCC	Net cash inflow (outflow) from financing activities	(248,368)	766,011
DDDD	IMPACT OF CHANGES IN EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(12,425)	(5,419)
EEEE	NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(59,617)	128,726
E00100	CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	609,909	481,183
E00200	BALANCE OF CASH AND CASH EQUIVALENTS, END OF YEAR	$ 550,292	$ 609,909

The notes attached shall constitute an integral part of this Consolidated financial statement.

Lemtech Holdings Co., Limited and its subsidiaries

Notes to consolidated financial statements

January 1 to December 31, 2018 and 2017

(Unless otherwise stated, amounts in NT$ Thousand)

1. Company History

Lemtech Group (hereinafter to be referred as the Company) was established in British Cayman Islands in September 2009, and was set up mainly for the organization structure reconstruction to apply and register as an emerging stock listed on the Taipei Exchange. After reconstruction, the Company has became the holding company of Lemtech Global Solution Co. Ltd. (hereinafter to be referred as Global Solution), and acquired at a exchange ratio of 24.99 the Company shares for each Global Solution share. The main business operations for the Company, Global Solution and its subsidiaries (hereinafter to be referred as the Consolidated Company) are manufacturing and designing various kinds of fine blanking dies, die casting non-metal molds, computer connectors, computer thermal modules, and new types of electronic components, as well as selling the Company's products, etc. The Company has been publicly traded on the Taipei Exchange in April 29, 2011 and transferred to the TWSE (Taiwan Stock Exchange) in May 21, 2015.

The functional currency of the Company is Renminbi ("RMB"), and has been adjusted to New Taiwan Dollars (NT$) from April 1, 2017.

2. Financial reporting date and procedures

The Board of Directors approved the consolidated financial statements for publication on March 27, 2019.

3. Application of new and revised standards and interpretation

(1) The amended Regulations Governing the Preparation of Financial Reports by Securities Issuers for the first-time adoption and IFRS, IAS, IFRIC and SIC (hereinafter collectively known as "IFRSs") that have been recognized and approved by the Financial Supervisory Commission (FSC)

Except for the statements given below, the application of the revised "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs recognized by the Financial Supervisory Commission to come into full force will not cause significant change in the accounting policies of the consolidated company.

1. IFRS 9 “Financial Instruments” and related amendment

IFRS 9, “Financial Instruments” replaced IAS 39, “Financial Statements: Recognition and Measurement,” and was adopted in conjunction with other standards such as the amended IFRS 7, “Financial Instruments: Disclosure.” The new rules in IFRS 9 covered the classification, measurement and impairment of financial assets and general hedge accounting. Refer to Note 4 for further information on accounting principles.

<u>Classification, measurement and impairment of financial assets</u>

The consolidated company evaluated the classification of financial assets effective on January 1, 2018 for retroactive adjustment on the basis of the reality and circumstances of the day and elected not to recompile the statements for comparison. As of January 1, 2018, the categories and book value of financial assets to be measured under IAS 39 and IFRS 9 and the changes therein are specified below:

	Classification of measurement		Book value		
Category of financial assets	IAS 39	IFRS 9	IAS 39	IFRS 9	Remark
Cash and cash equivalents	Loans and accounts receivable	Financial assets at amortized cost	$ 609,909	$ 609,909	(1)
Time deposit with the original maturity date over three months	Loans and accounts receivable	Financial assets at amortized cost	155,728	155,728	(2)
Notes receivable, accounts receivable and other receivables	Loans and accounts receivable	Financial assets at amortized cost	1,844,499	1,844,499	(1)
Refundable deposits	Loans and accounts receivable	Financial assets at amortized cost	6,719	6,719	(1)

	Book value of January 1, 2018 (IAS 39)	Reclassification	Reevaluation	Book value of January 1, 2018 (IFRS 9)	Effect on retained earnings as of January 1, 2018	Effect on other equity as of January 1, 2018	Remark
Financial assets based on cost after amortization	$ -	$ 2,618,855	$ -	$ 2,618,855	$ -	$ -	(2)
Add: Reclassification of loans and receivables (IAS 39)	2,616,855	(2,616,855)	-	-	-	-	
	2,616,855	-	-	2,616,855	-	-	
Total	$ 2,616,855	$ -	$ -	$ 2,616,855	$ -	$ -	

(1) According to IAS 39, cash and cash equivalents, time deposits with maturity over three months, notes receivable, accounts receivable, other receivables, and refundable deposits are classified as loans and receivables. However, according to IFRS 9, they are classified as financial assets measured at amortized cost, and should be evaluated as expected credit loss.

(2) According to IAS 39, it would be classified as debt instruments without an active market and stated at amortized cost, and the original accrued contractual cash flows are solely payments of principal and interest on the principal outstanding. In addition, based on the fact and status as of January 1, 2018, it has been evaluated that its operating model is to receive contractual cash flows. Then based on IFRS 9, it has been classified as stated at amortized cost and evaluated as expected credit loss.

2. IFRS 15 "Revenue from Contracts with Customers" and relating amendments

IFRS 15 regulates the recognition principle for revenue from contracts with customers, which will replace IAS 18 "Revenue", IAS 11 "Construction Contracts" and relating interpretations. Refer to Note 4 for further information on accounting principles.

The amount of revenue recognized, the net proceeds of the amounts received and receivable should be recognized as contract assets (or liabilities). Before IFRS 15 was applied for, contracts that were settled based on IAS 18 should be recognized as receivables when revenues are recognized.

The Consolidated Company has decided that only for the contracts that haven't been completed by January 1, 2018 should be traced to apply IFRS 15, and the corresponding cumulative effect will be adjusted to retained earnings at that date:

Upon first-time adoption of IFRS 15, the adjustments to assets, liabilities and equities on January 1, 2018 are listed below:

	Amount before recompilation on January 1, 2018	Adjustment of first use	Amount after recompilation on January 1, 2018
Contract liability – current	$ -	$ 45,644	$ 45,644
Advances	45,644	(45,644)	-
Effect of liabilities	$ 45,644	$ -	$ 45,644

If the Consolidated Company has applied IAS 18 during 2018, the effects on the corresponding single item and residual amounts adjusted to IFRS 15 are listed below:

The impacts on assets, liabilities, and equity for the current period

	December 31, 2018
Decrease in contract liability	($ 66,510)
Increase in other current liabilities	66,510
Effect of liabilities	$ -

(2) Regulations Governing the Preparation of Financial Reports by Securities Issuers applicable in 2019 and the IFRSs recognized by the Financial Supervisory Commission (hereinafter referred to as "FSC")

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
"The annual improvement plan for the periods of 2015-2017"	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 IAS19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendments to IAS 28 "Long-term Interest in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty under Income Tax Treatments"	January 1, 2019

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: FSC permitted the consolidated company adoption of this amendment before January 1, 2018

Note 3: The plan amendment, curtailment, or settlement after January 1, 2019 apply to this amendment.

1. IFRS 16 "Leases"

IFRS 16 specifies recognition of lease agreements and accounting treatment for lessors and lessees. This standard will replace the relevant interpretations for IAS 17 "Leases" and IFRIC 4 "Determining Whether an Arrangement Contains a Lease."

Definition of lease

At the adoption of IFRS 16 for the first time, the consolidated company only assesses the contracts signed (or changed) beyond January 1, 2019, to determine if they are (or included) lease on the basis of IFRS 16, and does not reassess contracts determined as lease under IAS 17 and IFRIC 4, and treated these contracts in accordance with the transitional requirement of IFRS 16.

The consolidated company is the lessee

At the adoption of IFRS 16 for the first time, all leases were recognized as tenancy right assets and leasehold liability except low value target of leases and short-term leases of which the expenses incurred were recognized under the straight-line method. The consolidated comprehensive income statement shall present the interest expenses incurred from the depreciations of the utilization of equity assets and leasehold liability under effective interest method. In the consolidated cash flow statement, the principal amount of the lease liability payment is classified as a financing activity and the interest payment is classified as an operating activity. Before IFRS 16 was applied, the contracts classified as operating leases would be recognized as expenses on a linear base, and the prepaid lease payments for acquiring land-use rights in China would be recognized as prepaid lease payments. Cash flows from operation lease were presented as operating activities in the consolidated statement of cash flows. Contracts classified as financing lease were recognized as leasehold assets and payable lease payment in the consolidated balance sheet.

The consolidated company elected to adjust the accumulated influence under IFRS 16 in retrospect as retained earnings on January 1, 2019, and does not recompile comparative information.

Currently, the contracts that have been issued as operating leases based on IAS 17, the measurements for lease liabilities will be the remaining lease payments which are discounted using the lessee's incremental borrowing rate of interest at that date on January 1, 2019. The total right-of-use assets are measured at the mount of lease liability at that date (the amount of prepaid and payable lease payments previously accrued will also be adjusted). The recognized tenancy right will be subject to assessment for impairment under IAS 36.

The following expedient methods are expected to be applicable to the consolidated company:

(1) Apply a single discount rate for the measurement of specific leasehold combinations with reasonable similarity.

(2) Lease to expire on or before December 31, 2019 will be treated as short-term lease.

(3) The initial cost will not be included in the measurement of tenancy right assets on January 1, 2019.

(4) Measuring leasehold liability, such as the determination of the term of leases, will be treated from hindsight.

As for the leases classified as financing leases based on IAS 17, the carry amounts of lease assets and lease liabilities as of December 31, 2018 will be recognized as the carrying amount for use-of-right assets and lease liabilities as of January 1, 2019.

The consolidated company is the lessor

In the transitional period, no adjustment of the lease of the Lessors while under IFRS 16 will be applicable from January 1, 2019.

The expected impacts on assets, liabilities, and equity on January 1, 2019.

	Book value of December 31, 2018	Adjustment of first use	Adjustment of book value as of January 1, 2019
Prepayments	$ 2,251	($ 2,251)	$ -
Long-term prepayments for leases	88,241	(88,241)	-
Right-of-use assets	-	207,843	207,843
Effect of assets	$ 90,492	$ 117,351	$ 207,843
Leasehold liability-current	$ -	($ 85,846)	($ 85,846)
Leasehold liability-non-current	-	(31,505)	(31,505)
Effect of liabilities	$ -	($ 117,351)	($ 117,351)

2. IFRIC 23 “Uncertainty under Income Tax Treatments”

IFRIC 23 clarified that if there is uncertainty in handling income tax, the combined business must assume that the taxation authorities could retrieve all information for review. If the tax treatment as declared may possibly be accepted by the taxation authorities, the taxable income, taxation basis, the unconsumed taxable loss, unconsumed tax deduction, and determination of tax rate shall be congruent with the tax treatment adopted at the time of income tax declaration. If the taxation authorities are unlikely to accept the tax treatment in the declaration, the combined business shall adopt the most possible amount or anticipated value (adopt the method that could more likely forecast the ultimate result under uncertainty between the two) in evaluation. In case of change in reality and circumstance, the combined business shall reevaluate its judgment and evaluation.

Further to the above effects, the assessment of consolidated company on other IFRSs as of the day this consolidated financial statement was approved for release did not cause significant influence on the consolidated financial position and consolidated financial performance.

(3) The IFRSs released by the IASB but not yet approved and announcement effective by the Financial Supervisory Commission

The new / amended / revised standards or interpretation	IASB publication effective date (Note 1)
Amendment to “Definition of a business” in IFRS 3	January 1, 2020 (Note 2)
Amendment to IFRS 10 and IAS 28, “Consolidated Financial Statements and Investment in Associates”.	Undefined
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Materiality”	January 1, 2020 (Note 3)

Note 1: Unless otherwise stated, the aforementioned new / amended / revised standards or interpretation are effective in the years after the respective date.

Note 2: The amendment should be applied to the acquisition day in the reporting period for corporate mergers after January 1, 2020 and the acquisition of assets beyond that date.

Note 3: This amendment is with prospective application for the annual reporting period starting after January 1, 2020.

The companies in the consolidated financial statements will continue to evaluate the effect of the amendment to other IFRSs on the financial positions and performance of the companies in the consolidated financial statements to the date this parent company only financial statement approved and released, and will make appropriate disclosure after the evaluation.

4. Summary of significant accounting policies

(1) Compliance Statement

The consolidated financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers that are authorized by the FSC.

(2) Basis of preparation

Further to financial instruments measured at fair value, the content contained in this consolidated financial statement is compiled based on historical data.

The evaluation of fair value could be classified into Level 1 to Level 3 by the observable intensity and importance of related input value:

1. Level 1 input value: refers to the quotation of the same asset or liability in an active market as of the evaluation (before adjustment).
2. Level 2 input value: refers to the direct (the price) or indirect (inference of price) observable input value of asset or liability further to the quotation of Level 1.
3. Level 3 input value: the unobservable input value of asset or liability.

(3) Standards in differentiating current and non-current assets and liabilities.

Current assets including:

1. Assets held mainly for trading purpose:
2. Assets expected to be realized within 12 months after the balance sheet date; and
3. Cash and cash equivalents (not including those that are limited to exchange or repay liabilities exceeding 12 months after the balance sheet date).

Current liabilities include:

1. Liabilities held for trading purposes;
2. Liabilities to be repaid within 12 months after the balance sheet date, and
3. Liabilities with the repayment deadline that cannot be unconditionally deferred to at least 12 months after the balance sheet date.

For those that are not current assets or liabilities above are classified as non-current assets or liabilities.

(4) Basis of consolidation

This consolidated financial statement contains the information of the financial statements of the Company and its controlled entities (subsidiaries). The Consolidated Statement of Comprehensive Income already covered the operating profit and/or loss of the subsidiaries, which have been acquired or disposed of the current term, from the date of acquisition until the date of disposal. The subsidiaries' financial statements have been properly adjusted to make the accounting policies consistent with the accounting policies of the consolidated company. In preparing these consolidated financial statements, the transactions, account balances, incomes and loss and expenses among the individual entities are written off in full amount. The total comprehensive incomes of the subsidiaries were non-controlling interest attributed to the Company's owners and the non-controlling interest, to become the balance of loss even as the non-controlling interest.

When the change in the ownership equity on a subsidiary of the Consolidated Company does not result in a loss of control, it is processed as an equity transaction. The book value of the Consolidated Company and the non-controlling equity has been adjusted to reflect the change in the relative equity on the subsidiary. The difference between the adjusted amount of the non-controlling equity and the considerations paid or collected is directly recognized as equity and attributable to the Company's shareholders.

For detailed information about the subsidiaries, percentage of ownership and main businesses and products please refer to Note 13, table 7 and 8.

(5) Foreign currency

Each business entity that has traded with a currency (foreign currency) other than the functional currency, when preparing financial statements, should have it translated into the functional currency in accordance with the exchange rate on the trading day.

The functional currency of the Company is Renminbi ("RMB"), and based on the regulations of the Taiwan Stock Exchange regarding financial statements, the consolidated financial statements are presented in New Taiwan Dollars (NT$). However, considering the financing management efficiency as a holding company, the Company's functionality has been altered to plan financing activities for the Group. Due to this change of economic environment, the company's Board of Directors has made the resolution that the functional currency of the Company will be adjusted to New Taiwan Dollars (NT$) from Renminbi ("RMB"), and will apply IAS 21 "The Effects of Changes in Foreign Exchange Rates" deferral approach from April 1, 2017.

Foreign currency monetary items are translated at the closing rate on each balance sheet date. The exchange differences arising from the settlement of monetary items or translating monetary items are recognized in the current profit or loss.

The foreign non-currency items measured at fair value are translated in accordance with the exchange rate on the fair value determination date and the exchange difference is booked as current profit or loss. However, for the changes in fair value recognized in the other comprehensive profit or loss, the exchange difference is recognized in the other comprehensive profit or loss.

The foreign non-currency items measured at historical cost are translated in accordance with the exchange rate on the transaction date without the need for a translation again.

Upon preparation of the Consolidated Financial Report, the assets and liabilities of the overseas operating institutions (including the subsidiaries, associates, joint ventures or branches in the countries of business operation or those using currencies different from the Company's) were converted to New Taiwan Dollars based on the exchange rate quoted on every balance sheet date. The profits and losses are translated in accordance with the current average exchange rates, and the exchange differences resulted is booked in other comprehensive profit and loss (and attributable to the Company's shareholders and non-controlling equity respectively).

(6) Inventory

Inventories are raw materials, materials, work in process and finished products. Inventory is valued in accordance with the lower of cost or net cash value. When comparing cost and net cash value, except for the homogeneous inventories, it is based on the itemized lower of cost or net cash value. The net realizable value refers to the balance of the estimated sales price less the estimated costs that shall be invested before completion and the estimated costs before completing the sale. Inventory cost is calculated in accordance with the weighted average method.

(7) Investments in the affiliated company

The term "associate" as set forth herein denotes an enterprise, which has significant effect upon the Consolidated Company, but is not a subsidiary or a joint venture.

The Merging Company adopts equity method for investment in associates.

Under the equity method, investments in the affiliated companies were originally recognized at cost; the book value after the acquisition date fluctuates along with the distribution of profit or loss from the affiliated company and other comprehensive profit or loss by the consolidated company. In addition, investments in the Consolidated Company are required to be accounted for using the equity method and interests recognized based on the ownership percentage of the associates.

Acquisition costs in excess of the Consolidated Company's share of net identifiable assets and liabilities (i.e. fair value) in an associated company on the date of acquisition are recognized as goodwill. This goodwill includes book value of the investment and is not amortized. Share of net identifiable assets and liabilities (i.e. fair value) in an associated company that exceeds acquisition cost on the date of acquisition is recognized as gains for the current year.

In the event that the Merging Company's shares of loss in the associates equal to or exceed its equity in the associates (including the book amount of investment in the associates in equity method and other long-term interest of the Merging Company in the investment composition of the associates), the Merging Company discontinued recognition of the further losses. The Merging Company recognized extra losses and liabilities only in the event of occurrence of legal obligations, presumed obligations or within the scope that the Merging Company had made payment on behalf of the associate.

When the Consolidated Company performs an impairment evaluation, the overall carrying amount of the investments (including Goodwill) are treated as one single asset, and then the impairment test performed to compare its recoverable amount with the carrying amount. The recognized impairment loss will not be allocated to any asset that causes the components of the carrying amount of investments, including Goodwill. Any reversal of the impairment loss can be recognized within the range of the recoverable amount of the subsequently increased investment.

The profit or loss resulting from the countercurrent, downstream and side-stream transactions between the consolidated company and the affiliated company is recognized in the consolidated financial statement within the range that is irrelevant to the consolidated company's interest in the affiliated company.

(8) Property, plant, and equipment

Property, plant and equipment are recognized as costs, and they will be measured by the amount after the costs less the amount of accumulated depreciation and accumulated impairment losses afterwards.

Property, plant, and equipment are depreciated in accordance with the straight-line method in the expected useful lives. Depreciation of each major part is appropriated separately. The consolidated company, at least at the end of each fiscal year, has the estimated durable life, residual value, and depreciation method reviewed; also, delayed the effects of changes in applying accounting estimates.

When derecognizing property, plant and equipment, the difference between the net disposition amount and the book value of the asset is recognized in profits and losses.

(9) Intangible assets

1. Acquired separately

The intangible asset with limited useful life acquired separately was originally measured at cost and subsequently measured at cost, net of accumulated amortization and accumulated impairment losses. Intangible assets shall be subject to amortization under the straight-line method during its life span, and Consolidated Company reviews the estimated useful life, residual value and depreciation method shall be subject to review at least once a year and extend the effect of changes in applicable accounting policy.

2. de-recognition

In removing intangible assets, the difference between the net proceeds of disposition and the book value shall be recognized as income.

(10) Impairment for tangible assets, intangible assets and contract costs related assets.

The consolidated company assesses whether there is any indication of impairment occurring on the tangible and intangible assets at each balance sheet date. If there is any indication of impairment occurring, the recoverable amount of the asset should be estimated. If the recoverable amount of an individual asset cannot be estimated, the consolidated company is to estimate the recoverable amount of the respective cash-generating unit.

The recoverable amount is the fair value net of cost or the value in use whichever is higher. When the recoverable amount of an individual asset or cash-generating unit is less than its book amount, the book amount of the asset or cash-generating unit should be reduced to its recoverable amount. The impairment loss is recognized in the profit or loss.

For contracts with customers that apply IFRS 15, inventory, property, plants and equipment, and intangible assets recognized due to contracts with customers will firstly recognize impairment losses according to regulation requirements for inventory write-down and the regulations mentioned above. Secondly, it should be recognized as impairment loss when the carrying amount of relevant assets of contract cost exceed the amount of considerations to which it expects to be entitled from providing relevant goods or services after deducting direct relevant costs. In order to work on the assessment for impairment of cash-generating units, hereafter adding carrying amount of relevant assets of contract costs into the cash-generating units to which it belongs.

When the impairment loss is reversed subsequently, the carrying amount of the assets, cash-generating units or relevant assets of contract cost will increase to the revised recoverable amount, while the carrying amount after increase does not exceed the carrying amount of the assets, cash-generating units or relevant assets of contract costs that would have been at the date of reversal had the impairment loss not been recognized previously (excluding amortization or depreciation). The reversed impairment loss is recognized in the profit or loss.

(11) Financial instruments

When the consolidated company has become a party to the instrument contract, the financial assets and financial liabilities are to be recognized in the consolidated balance sheet.

For the initial recognition of the financial assets and financial liabilities, if the financial assets or financial liabilities are not measured at fair value through profit or loss, it is measured at fair value plus transaction cost that is directly attributable to the acquisition or issuance of financial assets or financial liabilities. The transaction cost directly attributable to the acquisition or issuance of financial assets or financial liabilities that are measured at fair value through profit or loss is immediately recognized in the profit or loss.

1. Financial assets

The regular way of purchase or sale of financial assets are recognized and derecognized based on the accounting on the transaction date.

(1) Classification of measurement

2018

The Company holds financial assets in the form of financial assets measured on the basis of cost after amortization.

Financial assets based on cost after amortization

If the financial assets of the consolidated company met both of the following conditions, classify as financial assets on the basis of cost after amortization:

A. Financial assets held under particular mode of operation and the purpose of holding is for the collection of cash flow from contracts; and

B. Financial assets held for trading. Cash flow generated on particular dates deriving from the contacts and the cash flow is wholly for the payment of principal and interest accrued from the outstanding amount of the principal.

Financial assets on the basis of cost after amortization (including cash and cash equivalents, notes receivable on the basis of cost after amortization, accounts receivable, other receivables and refundable deposits) shall be determined for the total book value under the effective interest rate method after the initial recognition net of the cost of any impairment after amortization for measurement. Any exchange gains or loss will be recognized as income.

Interest income will be the product of effective interest rate and total book value of financial assets except under the following two conditions:

A. The interest income of financial assets procured or initiated under credit impairment will be the product of the effective interest rate after credit adjustment and the cost of financial assets after amortization.

B. Financial assets held for trading. For financial assets that are not purchased or originated as credit-impaired financial assets but subsequently have become credit-impaired financial assets, the entity shall apply the effective interest rate to the amortized cost of the financial asset in subsequent reporting periods.

Cash equivalents are time deposits within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

2017

The financial assets held by the consolidated company include loans and receivables.

Loans and receivable

Loans and receivables (including receivable, other receivables, cash and cash equivalents, and bond investments without an active market) are measured at the amortized cost after deducting the impairment losses in accordance with the effective interest method, except for the interest of short-term accounts receivable that is insignificant.

Cash equivalents are time deposits and notice deposit within 3 months from the date of acquisition, with high liquidity, can be converted into cash with marginal risk on the change in value, and are used for the fulfillment of short-term commitment in cash settlement.

(2) Impairment of financial assets and contract assets

2018

The Consolidated Company evaluates impairment loss of financial assets stated at amortized cost (include notes receivable, accounts receivable, other receivables, and refundable deposit) based on expected credit loss on each balance sheet date.

Notes receivable and receivable accounts shall be recognized for provisions for loss on the basis of anticipated credit loss within the perpetuity of the assets. Other financial assets shall be evaluated for any significant increase of risk from the day of initial recognition. If none is found, recognize for provision for anticipated credit loss along a period of 12 months. If it is, recognize for provision of anticipated credit risk within the perpetuity of the assets.

Anticipated credit loss is the weighted average loss of credit on the basis of the weight of the risk of default. Anticipated credit loss in a period of 12 months means the expected loss of credit from the financial instruments within 12 months due to default. Anticipated credit loss with the perpetuity of the financial instruments means the expected loss of credit from the financial instruments within the perpetuity of these financial instruments.

All impairment of financial assets is recognized through the reduction of the book value of the provisioned account. However, the provision for loss of investment of debt instruments at fair value through comprehensive income shall be recognized as other comprehensive income without the reduction of its book value.

2017

Except for the financial assets measured at fair value through profit or loss, the consolidated company examines whether there is an evidence of impairment occurring on the other financial assets at each balance sheet date. When there is objective evidence of one or more events occurring after the initial recognition of financial assets with a resulting loss to the future cash flow of the financial asset, the impairment of financial assets had already occurred.

For financial assets reported at amortized cost, such as, accounts receivable and other receivables, if such assets are assessed and concluded to be without any evident impairments, a collective assessment of the impairments should be initiated. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 45 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The impairment amount of the financial assets measured at amortized cost is the difference between the book value of the assets and the present value of the future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost after amortization, the amount of impairment reduced in subsequent periods can be reversed and recognized in profit and loss against a direct adjustment of cumulative impairments or the provision account, provided that the reduction is objectively believed to have been attributable to events occurred after the impairment was recognized. However, the reversal cannot produce a book value that is greater than the amount of cost after amortization (as at the date of reversal) had the financial asset not been impaired in the first place.

Other objective evidence of impairment to financial assets include: severe financial distress or default (e.g. delay or inability to pay interests or principals owed) involving the issuers or debtor, increased likelihood of the debtor undergoing bankruptcy or financial restructuring, or any financial crisis that may render the financial asset no longer available on the active market.

All the impairment loss of financing assets are directly deducted from the carrying amount of financing assets, except for the carrying amount for the accounts receivable and other receivables are deducted from their allowance accounts. The uncollectible receivables and other receivables are credited to the allowance account. The amount previously written off and collected subsequently is credited to the allowance account. Except writing off allowance accounts due to uncollectibles in accounts receivable and other receivables, the changes in the carrying amount of allowance accounts should be recognized in profit and loss.

(3) The de-recognition of financial assets

The consolidated company has financial assets de-recognized only when the contractual rights from the cash flows of a financial asset becomes invalid or when the financial assets are transferred and almost all the risks and rewards of the asset ownership have been transferred to other enterprises.

On the before 2017 (inclusive), when de-recognizing a financial asset, the difference between the book amount and the consideration received plus any cumulative profit or loss recognized in the other comprehensive profit or loss is recognized in the profit or loss. Since the 2018, when particular entry of financial assets measured on the basis of cost after amortization is removed, the difference between its book value and consideration shall be recognized as income. When particular debt instruments measured at fair value through comprehensive income is entirely removed, the total sum of any other accumulated gains or loss of the difference between book value and consideration recognized as other comprehensive income shall be recognized as income. When particular equity instruments measured at fair value through comprehensive income are entirely removed, the accumulated gains of loss shall be directly transferred to retained earnings without being classified as income.

2. Financial liabilities

(1) Subsequent measurement

All financial liabilities are measured at the amortized cost in accordance with the effective interest method.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities that are held for trading and measured at fair value.

The held-for-trade financial liabilities are measured at fair value with the profit or loss (cluding any dividend or interest paid with the financial liabilities) arising from the reevaluation recognized as profit or loss.

Please refer to Note 32 for the determination of fair value.

(2) De-recognition of financial liabilities

When de-recognizing financial liabilities, the difference between the book amount and the consideration paid (including any transferred non-cash assets or assumed liabilities) is recognized as profit or loss.

3. Convertible corporate bonds

The compound financial instruments (convertible corporate bonds) issued by the consolidated company are classified as financial liabilities and equity respectively in the original recognition according to the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

In the original recognition, the fair value of the liability is estimated according to the prevailing market interest rate of a similar non-convertible instrument; also, it is measured at the amortized cost that is calculated according to the effective interest method before the conversion or maturity date. The liability of an embedded non-equity derivative is measured at fair value.

The conversion right classified as equity is equal to the residual amount of the total fair value of the compound instrument deducting the fair value of the liability determined individually and net of the income tax effect; also, it will not be measured subsequently. When the conversion right is executed, the relevant liability and equity amount will be transferred to the capital stock and additional paid-in capital - issuance premium. If the conversion rights of the convertible corporate bonds have not been executed on the due date, the amount recognized in the equity will be transferred to the additional paid-in capital - issuance premium.

The relevant transaction costs of the issuance of convertible corporate bonds are amortized to the liabilities of the instrument (included in the book value of the liability) and the equity (included in the equity) in proportion to the total amortization amount.

(12) Recognition of revenue

2018

The consolidated company, after identifying the performance obligations, had the transaction price amortized to each performance obligation and recognized as income when the performance obligations were fulfilled.

Commodity sales revenue

Sales revenue comes from selling 3C electronic products and automotive components. When goods were sold, customers have already had the right to use goods and bear the burden of risk for losses and damages occurring to goods, therefore the Consolidated Company recognizes revenues and accounts receivable at the time of the sale.

2017

Income is measured in accordance with the fair value of the considerations received or receivable and net of the customer's sales return, discount, and other similar discount. Sales return is based on past experience and other relevant factors to reasonably estimate and appropriate future sales return amounts.

Sales of products

The sale of instruments is recognized as income upon fulfilling the following conditions fully:

1. The consolidated company has had the significant risks and rewards of the instrument ownership transferred to the buyer;
2. The consolidated company is not involved in the management of the instruments sold and does not maintain an effective control over the instruments sold.
3. The amount of revenues can be measured reliably.
4. The economic benefits related to the transaction is likely to flow into the consolidated company; and
5. The occurred or occurring cost related to the transaction can be measured reliably.

When material is provided for processing, the significant risks and rewards related to the ownership of the finished goods have not been transferred; therefore, the material provided for processing is not treated as sales.

(13) Lease

When the lease term is to have all risks and returns attached to the ownership of assets transferred to the lessee, it is classified as a financing lease. All other leases are classified as operating leases.

The consolidated company is the lessee

The payment of operational leasehold was recognized as expense during the duration of leasehold on the straight-line basis.

(14) Borrowing costs

Borrowing costs directly belonging to acquiring, building or producing assets that meet the requirements are part of the costs of such assets until the completion of all necessary activities that the assets reaching the status of expected use or sale.

If specific borrowings are temporarily used for investment before the occurrence of capital expenses that meet the requirements, the investment revenues earned will be deducted from the borrowing costs that meet the capitalization conditions.

In addition to the transaction stated in the preceding paragraph, all other loan costs are recognized as profit and loss upon occurring.

(15) Government grant

A government subsidy can only be recognized when it is firmly believed that the Consolidated Company will comply with the terms added to the government subsidy and will receive such subsidy.

If the government subsidy is used for compensating expenses or losses that have already occurred or for the purpose of immediate financial support to the Consolidated Company without any related cost in the future, it will be recognized as income during the receivable period.

(16) Employee benefits

1. Short-term employee benefits

Liabilities relating to short-term employee benefits are measured by the non-discounted amount of the expected payment in exchange for employee services.

2. Retirement benefits

Under the defined contribution pension plan, the pension amount appropriated during the service years of the employees is recognized as an expense.

(17) Income tax

Income tax expense is the sum of the current income tax and deferred income tax.

1. Income tax expenses in the current period

For subsidiaries in Taiwan, income tax shall be levied in accordance with the Income Tax Act on unappropriated earnings, and provided for as income tax in the year when the annual shareholder meeting resolves to retain the earnings.

The adjustment to prior period income tax payable is booked as current income tax.

2. Deferred tax

Deferred tax is computed in accordance with the temporary differences between the book value of assets and liabilities and the tax bases of taxable income.

Deferred tax liabilities are generally recognized in accordance with all taxable temporary differences. Deferred tax assets are recognized when there are likely to have taxable income available for deductible temporary difference or loss credit.

All taxable provisional differences relevant to the investment in subsidiaries and associates were recognized as deferred income tax liabilities, except an event while the Consolidated Company' could control the time point of recovery of the control over the provisional difference or while the said provisional difference would be very likely not recoverable in the foreseeable future. The deductible temporary differences related to such investments are recognized as deferred income tax assets when there is likely a sufficient taxable income available for realizing a temporary difference and within the expected reverse in the foreseeable future.

The book amount of deferred income tax asset must be reviewed at each balance sheet date. The book amount of those that no longer have any sufficient taxable income to recover all or part of the asset, should be adjusted down. Those that are not originally recognized as deferred income tax assets should also be reexamined at each balance sheet date. The book amount of those that are likely to generate taxable income in the future for the recovery of all or part of its assets should be adjusted up.

Deferred income tax assets and liabilities are measured in accordance with the expected liability liquidation or the tax rate in the period when the asset is realized. The tax rate is based on the tax rate and tax laws that are legislated or substantively legislated at the balance sheet date. The measurement of deferred income tax liabilities and assets reflects the tax effect resulting from the book amount of the assets and liabilities expected to be recovered or liquidated at the balance sheet date.

3. Current and deferred income taxes

Current and deferred income taxes are recognized in the profit or loss, except for the current and deferred income taxes related to the items recognized in other comprehensive profit or loss or directly included in the equity are recognized in the other comprehensive profit or loss or directly included in the equity.

If the current income tax or deferred income tax is resulting from a business consolidation, the income tax effect is included in the accounting process for consolidated company.

5. Main source of significant accounting judgment, estimates and assumptions uncertainty

When the consolidated company adopts accounting policies and the relevant information cannot be retrieved from other sources easily, the management must base things on a historical experience and other relevant factors to make judgments, estimates, and assumptions. Actual results may differ from the estimates.

The management will continue to review the estimates and basic assumptions. If the amendment affects only the current estimates, it is recognized in the current period. If the amendment of accounting estimates affects both current and future periods, it is recognized in the respective current and future periods.

6. Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand and working capital	$ 640	$ 550
Bank checking and saving deposits	549,652	529,493
Cash equivalents (with maturity within three months)		
Bank time deposit	-	79,866
	$ 550,292	$ 609,909

The deposits in banks showed the following interest rate ranges as of the balance sheet date:

	December 31, 2018	December 31, 2017
Bank deposits	0.01%~0.33%	0.01%~0.24%

7. Financial instruments measured at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial liabilities - current		
Measured at fair value through income under compulsion		
Derivatives (Undesignated Hedge) – Convertible Options (Note 19)	$ 910	$ -

8. Financial assets at amortized cost - 2018

	December 31, 2018
Current	
Investment in domestic	
Bank deposits – restricted	$ 3,842

This type of deposit was classified as debt instruments without an active market based on IAS 39. Please refer to Note 3 and Note 10 for its reclassification and information for 2017.

9. Credit risk management for investment in debt instruments – 2018

Investments in debt instruments of the Consolidated Company are classified as financial assets stated at amortized cost:

December 31, 2018

	At Amortized Cost
Total book value	$ 3,842
Allowance for losses	-
Cost after amortization	$ 3,842

In order to mitigate credit risk, the Consolidated Company's management appoints designated team to execute credit rating assessment and evaluate the default risk of investment institutions of debt instruments. When there is no credit rating information supplied by external credit rating information, the Company will access an appropriate internal rating based on publicly accessible financial information. The Consolidated Company monitors the changes of credit risk of its debt instrument investments by continually following the material information of financial institutions, and assesses whether there has been a significant increase in credit risk since initial recognition by accessing debt instrument investments.

In order to measure 12-month or full-lifetime expected credit losses of debt instrument investments, the Consolidated company will consider the historical default records and current financial status of the financial institutions provided by an internal credit rating team. The current credit risk evaluation approach of the Consolidated Company and the total carrying amount of debt instrument investments with various credit ratings are shown as below:

				Total book value of December 31, 2018
Credit rating	Definition	Basis for recognizing expected credit losses	Expected credit loss rate	At Amortized Cost
Normal	The debtors' credit risk is low and also has sufficient capability to pay off contractual cash flows	Anticipated credit loss in 12 months	0%	$ 3,842

10. Debt investments with no active market - 2017

	December 31, 2017
Current	
Time deposit with the original maturity date over three months	$ 155,728

Partial time deposits are provided to the bank for issuing letter of guarantee and guarantee deposits. Please refer to Note 34 for relevant information.

As of December 31, 2017, interest rate collars with maturity over three months is 0.65% to 1.95%.

11. Notes receivable, accounts receivable and other receivables

	December 31, 2018	December 31, 2017
Notes receivable		
At amortized cost		
Total book value	$ 5,379	$ 25,076
Less: Allowance for losses	-	-
	$ 5,379	$ 25,076
Accounts receivable		
At amortized cost		
Total book value	$ 2,118,093	$ 1,827,900
At FVTOCI	130,136	-
Less: Allowance for losses	(28,077)	(16,619)
	$ 2,220,152	$ 1,811,281
Other receivable		
Interests receivable	$ -	$ 181
Others	17,828	7,961
	$ 17,828	$ 8,142

Accounts receivable

2018

(1) At amortized cost

The average credit period for the consolidated company's sales of goods is 150 days. The Consolidated Company has adopted a policy of only dealing with entities that are permitted after credit evaluation by the Company, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated company will use other publicly available financial information and historical transaction records to rate major customers. The consolidated company continuously monitors the credit risk exposure and the credit rating of the counterparty; also, it distributes the total transaction amount to different customers with a qualifying credit rating. In addition, it manages credit risk exposure through the credit line of the counterparty reviewed and approved by the Risk Management Committee each year.

The consolidated company adopts the simplified method in IFRS 9 to recognize the allowance for loss of the accounts receivable according to the expected credit losses of the given duration. The full-lifetime expected credit losses are calculated using Provision Matrix, which considers the historical default records and current financial status, industry economic conditions, as well as GDP forecast and industry outlook. According to the indications of the past experience of the Consolidated Company, the Company divided each customer into different risk groups, and then recognized loss allowance based on the expected loss rate of each group.

As of balance sheet date, the Consolidated Company has no notes receivable that are past due but not recognized allowance. In addition, considering past experience that allowance has never happened, therefore the Company should set expected credit loss rate of notes receivable as 0%.

If there is evidence that the counterparty is facing serious financial difficulties and the consolidated company cannot reasonably expect the recoverable amount back, the consolidated company will directly write off the relevant accounts receivable, but will continue its recourses, and the amount recovered will be recognized in profit or loss.

The consolidated company's allowance for loss of receivables is determined according to the preparation matrix as follows:

December 31, 2018

	Not overdue	Overdue 1 to 60 days	Overdue 61 to 120 days	Overdue 121 to 180 days	Overdue 181 to 240 days	Overdue 241 to 365 days	Overdue over 365 days	Total
Expected credit loss rate	0%~4.7%	0%~5.43%	0%~11.56%	0%~19.88%	0%~26.32%	0%~49.69%	7.73%~100%	
Total book value	$ 1,552,932	$ 458,183	$ 31,483	$ 42,054	$ 901	$ 6,619	$ 25,921	$ 2,118,093
Allowance for loss (expected credit loss of the given duration)	(1,271)	(3,721)	(1,884)	(1,216)	(18)	(1,039)	(18,928)	(28,077)
Cost after amortization	$ 1,551,661	$ 454,462	$ 29,599	$ 40,838	$ 883	$ 5,580	$ 6,993	$ 2,090,016

Changes in the allowance loss of the accounts receivable are as follows:

	2018
Balance, beginning of year (IAS 39)	$ 16,619
Retroactive application of IFRS 9 adjustments	-
Balance, beginning of year (IFRS 9)	16,619
Add: An impairment loss is recognized in the current year.	12,011
Foreign exchange difference	(553)
Balance, end of year	$ 28,077

(2) At FVTOCI

For accounts receivable with relatively larger amounts, the Consolidated Company decide to use recourse factoring to the banks depending on the status of operating capital. The business model of the Consolidated Company managing this kind of accounts receivable is to complete its goal through receiving contractual cash flows and selling financial assets. Thus, these kinds of accounts receivable are measured through other comprehensive income in fair value.

2017

The credit policy of the consolidated company in 2017 is same as the aforementioned credit policy in 2018. For estimating allowances for doubtful receivables, since accounts receivable overdue more than 365 days are uncollectible based on past experience, the Consolidated Company recognizes 100% allowance for doubtful receivables. For accounts receivables with aging schedules within 365 days, the allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

For the overdue accounts receivable on the balance sheet date that is without the allowance for bad debts appropriated by the consolidated company, since the credit quality has not been materially changed, the consolidated company's management believes that the amount can be recovered; therefore, the consolidated company does not have any collateral or other credit enhancements collected for the protection of the accounts receivable.

The age analysis of accounts receivables is as follows:

	December 31, 2017
Not overdue	$ 1,692,268
1 ~ 30 days	80,512
31 ~ 90 days	19,160
91 ~ 180 days	8,558
181 ~ 365 days	25,963
Over 365 days	1,439
Total	$ 1,827,900

The aging analysis of the overdue accounts receivable without impairment is as follows:

	December 31, 2017
Below 30 days	$ 80,512

The aforementioned aging analysis is based on the overdue days.

Changes in the allowance for bad debt of the accounts receivable are as follows:

	Impairment under group assessment
Balance as of January 1, 2017	$ 8,471
Less: Appropriated bad debt expense of the year	8,193
Foreign exchange difference	(45)
Balance as of December 31, 2017	$ 16,619

As of December 31, 2017, there is no single one of impaired accounts receivable that is undergoing liquidation or experiencing severe financial difficulties.

12. Inventory

	December 31, 2018	December 31, 2017
Finished products	$ 518,020	$ 128,702
Work-in-process goods	209,601	307,725
Raw materials	172,899	174,723
	$ 900,520	$ 611,150

Cost of goods sold related to inventories in 2018 and 2017 amounted to NT$ 4,757,020 thousand and NT$ 3,382,778 thousand, respectively. Cost of goods sold includes the amount of inventory valuation losses NT$11,583 thousand and NT$ 5,905 thousand.

13. Subsidiaries

Subsidiaries included in the consolidated financial statements

The business entities of the consolidated financial statements are as follows:

			Percentage of shareholdings		
Investor	Subsidiary name	Nature of the operation	December 31, 2018	December 31, 2017	Remark
Lemtech Holdings Co., Limited	Lemtech Global Solution Co. Ltd. (formerly known as Super Solution Co., Ltd., hereinafter to be referred as Global Solution)	Investment holding company	100	100	Acquired all of shares through share exchange as of November 23, 2009.
Lemtech Holdings Co., Limited	Lemtech Precision Material (China) Co., Ltd. (formerly known as Kunshan Lemtech Precision Material Co., Ltd., hereinafter referred to as Lemtech Precision Material Co.)	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal mold, computer connector, computer thermal module, and new type of electronic components, as well as selling the company's products, etc.	0.2	-	Merged Kunshan LDC Precision Machinery Co., Ltd. as of March 17, 2010. (Note 3)
Global Solution	Lemtech Precision Material (China) Co., Ltd. (formerly known as Kunshan Lemtech Precision Material Co., Ltd., hereinafter referred to as Lemtech Precision Material Co.)	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal mold, computer connector, computer thermal module, and new type of electronic components, as well as selling the company's products, etc.	99.8	90	Merged Kunshan LDC Precision Machinery Co., Ltd. as of March 17, 2010. (Note 3)
Lemtech Precision Material Co., Ltd.	LDC Precision Engineering Co., LTD. (hereinafter referred to as "LDC")	Manufacturing and wholesaling household appliances, audio and video electronic products, other electrical machinery and electronic mechanical devices, automotive and components, other optical and precision mechanical parts.	100	100	Eestablished on May 10, 2000.
Lemtech Precision Material Co., Ltd.	Lemtech Technology Limited (hereinafter referred to as "Lemtech HK")	Selling automotive, electronics and computer related components.	100	100	Eestablished on April 9, 2014. (Note 2)
Lemtech Precision Material Co., Ltd.	Lemtech Precision Material (CZECH) s.r. o. (hereinafter referred to as "Lemtech CZ")	Manufacturing automotive components (car roof windows, brakes and seat belts, etc.), parts and accessories (steering wheel drive shaft etc.), and supply for consumer electronic components and sever products.	100	100	Operated since January 1, 2017. (Note 1)
Lemtech HK	Lemtech USA Inc. (hereinafter referred to as "Lemtech USA")	Business development in the U.S. market, collecting business information, and providing market and industry information.	100	100	Eestablished on May 31, 2013. (Note 2)
Lemtech HK	Lemtech Industrial Services Ltd. (hereinafter referred to as "LIS")	Selling electronic and computer related components and accessories.	57	57	Established as of December 17, 2015. Payments of shares were transferred as of April 12, 2016. (Note 4)
Lemtech Industrial Services Ltd. (hereinafter referred to as "LIS")	Kunshan Lemtech Slide Technology Co., Ltd. (hereinafter to be referred as Lemtech Slide Co.)	Design and manufacture slides, hinges, and relevant mechanical assemblies, as well as selling the company's products, etc.	100	100	Eestablished on July 21, 2016. (Note 4)

Remarks:

1. Lemtech USA, Lemtech CZ, LIS, and Lemtech Slide Co. are non-significant subsidiaries where financial statements were not reviewed by independent auditors; while the Consolidated Company's management considers that non-significant subsidiaries where financial statements were not reviewed by independent auditors mentioned above shall not cause significant differences.
2. For the Group's operational plan, future development and enhancing the Company's competitiveness, the Consolidated Company decided to adjust investment structure in accordance with the board meeting resolution, where the shares of Lemtech USA owned by Global Solution was adjusted to be owned by Lemtech HK, and the shares of Lemtech HK owned by Global Solution was adjusted to be owned by Lemtech Precision Material Co. in December 2015.
3. In order to bring in strategic shareholders for expanding business in Mainland China, the board meeting resolution decided to sell 10% shares of Lemtech Precision Material Co., and completed equity transfer on October 21, 2015. The board meeting resolution on September 28, 2018, decided that the Company buy back 0.2% shares of its subsidiary Lemtech Precision Material Co. and Global Solution buy back 9.8% shares of its subsidiary Lemtech Precision Material Co. Please refer to Note 28 for relevant transactions.
4. In order to simplify organizational structure, the board meeting of Lemtech Precision Material Co. resolved to purchase shares of Lemtech Slide Co. owned by New Fortune Global Limited in two phases. Firstly, the Company purchased shares of LIS owned by the Company through Lemtech HK, then purchased 100% shares of Lemtech Slide Co. owned by New Fortune Global Limited through LIS. In the meantime, LIS issued common shares on November 2016, and Lemtech HK's ownership interest is reduced due to the additional subscription to the shares of associate by other investors. After reconstruction, the Consolidated Company still has control over Lemtech Slide Co. To simplify organizational structure, the Consolidated Company dissolved New Fortune Global Limited on April 5, 2017.

14. Investments accounted for using the equity method

	December 31, 2018	December 31, 2017
Associates that are not individually material		
Aapico Lemtech (I)	$ 29,692	$ 13,546
Lemtech Cryomax (II)	3,810	-
	$ 33,502	$ 13,546

(1) On February 1, 2013, the Consolidated Company entered into an investment agreement with Aapico Hitech Plc. (AH:TB), a listed company on the Stock Exchange of Thailand, and established Aapico Lemtech (Thailand) Co., Ltd. (hereinafter to be referred as Aapico Lemtech) jointly by contributing cash on March 1, 2013. For the Group's operational plan for the Consolidated Company, the shares of Aapico Lemtch owned by Global Solution are adjusted to be owned by Lemtech HK as of June 30, 2016.

(2) Lemtech Cryomax System Corp. (hereinafter to be referred as Cryomax Lemtech) was established on April 2, 2015, and 50% of its shares were acquired by Global Solution on November 10, 2018. The NT$ 298 thousand bargain purchase gains arising from the acquisition of Cryomax Lemtech are shown as "associates accounted for using equity method" in the consolidated statements of comprehensive income.

(3) As of the balance sheet date, the Merging Company showed the following ownership interests and voting powers in associates:

	Shareholding and voting right ratio	
Company name	December 31, 2018	December 31, 2017
Aapico Lemtech	40%	40%
Lemtech Cryomax	50%	-

Profit or loss attributed to associates accounted for using the equity method and proportionate shares of amounts of other comprehensive income as of 2018 and 2017 are based on the recognition and disclosures of investees' reviewed financial statements unaudited by independent auditors; while the Consolidated Company's management believes the unaudited financial statements mentioned above will not cause significant influence.

For the nature of businesses, the main operating locations and the registered national information of the companies of above associates, please refer to table 7 "Information on investees, location, and … relevant information etc."

Aggregate information of associates that are not individually material

	2018	2017
Share of the Consolidated Company		
Net income (loss) in current period	$ 14,335	($ 955)
Other comprehensive profit or loss	199	1,482
Total Comprehensive income	$ 14,534	$ 527

15. Property, plant and equipment

	Buildings and structures	Machinery equipment	Transport equipment	Office equipment	Leasehold improvement	Other equipment	Uncompleted construction and equipment pending inspection	Total
Cost								
Balance as of January 1, 2017	$ 245,223	$ 499,893	$ 27,021	$ 35,162	$ 30,225	$ 172,865	$ 90,544	$ 1,100,933
Additions	156,586	214,441	3,934	3,739	109	21,570	4,987	405,366
Disposition	-	(9,133)	(1,762)	(1,820)	-	(406)	-	(13,121)
Reclassification	88,196	147	-	-	-	(2,448)	(90,047)	(4,152)
Net exchange differences	(1,988)	(4,021)	(252)	(351)	(340)	(1,863)	1,024	(7,791)
Balance as of December 31, 2017	$ 488,017	$ 701,327	$ 28,941	$ 36,730	$ 29,994	$ 189,718	$ 6,508	$ 1,481,235
Accumulated depreciation and impairment								
Balance as of January 1, 2017	$ 26,842	$ 236,236	$ 19,495	$ 21,966	$ 26,173	$ 89,638	$ -	$ 420,350
Depreciation expenses	13,055	48,763	3,675	5,386	1,992	31,737	-	104,608
Impairment losses recognized	-	1,483	-	-	-	-	-	1,483
Disposition	-	(8,622)	(1,762)	(1,805)	-	(406)	-	(12,595)
Net exchange differences	(130)	(2,023)	(159)	(176)	(269)	(605)	-	(3,362)
Balance as of December 31, 2017	$ 39,767	$ 275,837	$ 21,249	$ 25,371	$ 27,896	$ 120,364	$ -	$ 510,484
December 31, 2017- Net	$ 448,250	$ 425,490	$ 7,692	$ 11,359	$ 2,098	$ 69,354	$ 6,508	$ 970,751
Cost								
Balance at January 1, 2018	$ 488,017	$ 701,327	$ 28,941	$ 36,730	$ 29,994	$ 189,718	$ 6,508	$ 1,481,235
Additions	35,915	176,779	10,781	5,747	34,420	184,442	4,746	452,830
Disposition	-	(18,765)	(6,085)	(1,334)	-	(152)	-	(26,336)
Reclassification	(6,101)	7,146	-	-	6,101	(8,140)	(6,375)	(7,369)
Net exchange differences	(9,881)	(14,053)	(559)	(691)	(611)	(3,822)	(133)	(29,750)
Balance at December 31, 2018	$ 507,950	$ 852,434	$ 33,078	$ 40,452	$ 69,904	$ 362,046	$ 4,746	$ 1,870,610
Accumulated depreciation and impairment								
Balance at January 1, 2018	$ 39,767	$ 275,837	$ 21,249	$ 25,371	$ 27,896	$ 120,364	$ -	$ 510,484
Depreciation expenses	25,956	77,100	4,153	5,537	4,572	53,015	-	170,333
Impairment loss (reversal)	-	(3,640)	-	-	-	-	-	(3,640)
Disposition	-	(16,323)	(6,063)	(1,327)	-	(150)	-	(23,863)
Reclassification	(153)	-	-	-	-	-	-	(153)
Net exchange differences	(1,273)	(6,906)	(488)	(577)	(693)	(3,505)	-	(13,442)
Balance at December 31, 2018	$ 64,297	$ 326,068	$ 18,851	$ 29,004	$ 31,775	$ 169,724	$ -	$ 639,719
December 31, 2018- Net	$ 443,653	$ 526,366	$ 14,227	$ 11,448	$ 38,129	$ 192,322	$ 4,746	$ 1,230,891

Depreciation expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Buildings and structures	20 years
Machinery equipment	5 to 10 years
Office equipment	5 years
Transport equipment	5 years
Leasehold improvement	2 to 3 years
Other equipment	2 to 5 years

16. Net computer software

	Costs of computer software
Cost	
Balance as of January 1, 2017	$ 37,199
Acquired separately	4,101
Disposition	(566)
Net exchange differences	(293)
Balance as of December 31, 2017	$ 40,441

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	Costs of computer software
Cumulative amortization and impairment	
Balance as of January 1, 2017	($ 13,642)
Amortization expenses	(4,869)
Disposition	566
Net exchange differences	69
Balance as of December 31, 2017	($ 17,876)
December 31, 2017- Net	$ 22,565
Cost	
Balance at January 1, 2018	$ 40,441
Acquired separately	5,976
Net exchange differences	(659)
Balance at December 31, 2018	$ 45,758
Cumulative amortization and impairment	
Balance at January 1, 2018	($ 17,876)
Amortization expenses	(5,632)
Net exchange differences	384
Balance at December 31, 2018	($ 23,124)
December 31, 2018- Net	$ 22,634

Amortization expenses is appropriated in accordance with the straight line method and the years of useful life illustrated below:

Computer software	3 to 10 years

17. Other assets

	December 31, 2018	December 31, 2017
Current		
Prepayments		
Prepayment for purchase	$ 6,022	$ 15,397
Prepayments for leases - Current	2,251	2,298
Other prepayments	95,650	79,625
	$ 103,923	$ 97,320

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	December 31, 2018	December 31, 2017
Other current assets		
Payments for others	$ 3,147	$ -
Non-current		
Prepayments for equipment	$ 194,248	$ 273,394
Refundable deposits	2,977	6,719
Prepayments for leases - Non-current	88,214	92,347
	$ 285,439	$ 372,460

As of December 31, 2018 and 2017, prepaid lease payments for land use rights in China are NT$90,465 thousand and NT$94,645 thousand respectively. The Consolidated Company has obtained certificates of total land use rights. The land use rights are amortized on a straight-line basis over their useful lives of 50 years.

18. Borrowings

(1) Shot-term borrowings

	December 31, 2018	December 31, 2017
Unsecured borrowings		
Bank loans	$ 1,009,466	$ 1,535,622

The revolving bank loan interest rates were 3.16%~5.5% and 2%~4.437%, respectively on December 31 2018 and 2017.

(2) Long-term borrowings

	December 31, 2018	December 31, 2017
Unsecured borrowings		
Bank loans	$ -	$ 141,566
Less: The part entered as due within one year	-	(119,246)
	$ -	$ 22,320

The maturity date of unsecured loans is due by September 26, 2019, and the effective interest rates range from 2.57% to 2.97% as of December 31, 2017.

19. Corporate bonds payable

	December 31, 2018	December 31, 2017
Domestic unsecured convertible corporate bond	$ 600,000	$ -
Less: Discount on corporate bond discount	(23,522)	-
	$ 576,478	$ -

Domestic unsecured convertible corporate bond

On July 30, 2018, the Company issued 6 thousand units of New Taiwan dollar-denominated unsecured convertible bonds, with each bond having a par value of NT$ 100 thousand and 0% interest rate. Total face value of the bonds is NT$ 600,000 thousand, issued at a price of 100.5% of face value, and the total amount of cash the Company received is NT$603,000 thousand.

(1) Each bond holder has right to have the bonds converted into common stocks of the Company at the price of NT$220 per share, with conversion period from October 31, 2018 till July 30, 2021.

(2) If the bonds haven’t been converted at that time, the Company will redeem the outstanding bonds in cash at par value from the bondholders on July 30, 2021.

(3) Bondholders have the option to request the Company to redeem their bond holdings at face value on July 30, 2020, two years after the issuance date.

The convertible bonds includes assets, liabilities and equity, and the equity components will be expressed as “capital surplus – stock options” under shareholders’ equity. The effective interest rate of liabilities components is initially recognized at 1.55%.

Proceeds from issuance (deducting transaction costs of NT$3,635 thousand)	$599,365
The equity composition (deducting the transaction cost amortized to the equity for an amount of NT$242 thousand)	(25,738)
The financial assets composition on the issuing date	1,080
Recognized in profit and loss (Other profit or loss)	(1,990)
Interest calculated at the effective rate of 1.55%	3,761
Liability components as of December 31, 2018.	$576,478

20. Notes payable and accounts payable

	December 31, 2018	December 31, 2017
Notes payable		
Incurred by operation	$ 300,787	$ 84,698
Accounts payable		
Incurred by operation	$ 1,134,173	$ 996,452

Average number of days to pay accounts payable is 120, and amounts due to connected parties were interest-free. The Consolidated Company has made financial risk management policy to ensure all payables could be settled on or before the due date.

21. Other liabilities

	December 31, 2018	December 31, 2017
Current		
Other payables		
Payables to equipment suppliers and construction contractors.	$ 5,419	$ 7,257
Payables on land and buildings (1)	-	913
Salary and bonus payables	76,131	63,598
Benefits expenses payable	1,018	3,382
Remuneration to employees and directors and supervisors payable	32,986	19,670
Interest payable	3,789	1,509
Commission payable	1,029	787
Payables on customs declaration and logistics fees	26,396	24,516
Others	53,642	34,115
	$ 200,410	$ 155,747
Other liabilities		
Temporary receipts	$ 255	$ 77
Others	7,148	10,084
	$ 7,403	$ 10,161

(1) The remaining payment for real estate acquisitions of Lemtech Precision Material Co. in 2016

22. Equity

(1) Capital stock

Common stock

	December 31, 2018	December 31, 2017
Authorized number of shares (thousand shares)	100,000	100,000
Authorized capital	$ 1,000,000	$ 1,000,000
Number of shares issued with fully paid-in capital (thousand shares)	39,541	39,541
Outstanding capital	$ 395,411	$ 395,411

(2) Capital surplus

	December 31, 2018	December 31, 2017
May be applied to cover accumulated deficit, distributed in cash or transferred to capital.		
Effect of functional currency changes	($ 68,246)	($ 68,246)
Other capital surplus of shares	356,379	356,379
Corporate bond conversion premium	389,635	389,635
The differences between carrying amount and market price of actual acquisition or disposal of shares in subsidiaries.	80,841	1,043
May not be used for any purpose.		
Recognized equity of the convertible corporate bonds issued	25,738	-
	$ 784,347	$ 678,811

Such additional paid-in capital can be used to make up for losses; also, when the company is without any loss, it can be applied for cash distribution or capitalization. However, it is limited to a certain percentage of the annual paid-in capital for the purpose of capitalization.

(3) Retained earnings and dividend policy

Pursuant to the Company's Articles of Incorporation, the Companies Law of the Cayman Islands, and listing rules, the Company should make appropriations from its net income. Firstly the Company should pay taxes, cover accumulated losses, and then recognize special reserve return earnings, if any. If there are any remaining earnings left over, except for those being saved as unappropriated retained earnings by the Board of Directors, shall be distributed as dividends and bonuses to shareholders in proportion to their share of ownership. The proposal of earnings appropriation is prepared by the Board of Directors and resolved by the shareholders.

The Company's dividend policy shall consider the steady growth of the Company, sustainability of business operations, funding capital needs, strengthening financial structure, and protecting long-term shareholders' interests in the distribution of earnings. Total dividends should not be lower than 10% of distributable net profit and dividends may be paid in cash or stock, where cash dividends should not be lower than 50% of total dividends. If the Company has no deficit, the Company shall consider financial, operational and business factors to appropriate all of or partial of its legal reserves and additional paid-in capital.

Pursuant to the previous section regarding distribution of dividends or bonuses, in accordance with listing rules, the Company shall appropriate all of or partial of dividends and bonuses via issuing new shares upon the special resolution resolved at the general meeting; amounts less than one share shall be distributed in cash.

For estimated and actual distribution of the employees' compensation and the directors' and supervisors' remuneration, please refer to Note 24(7) employees' compensation and the directors' and supervisors' remuneration.

The Company has a special reserve appropriated and reversed in accordance with FSC.Certificate.Issue.Tzi No. 1010012865 Letter, and “Special reserve appropriation Q&A after the adoption of International Financial Reporting Standards (IFRSs).”

The Company had the earnings distribution of 2017 and 2016 resolved in the shareholders’ meeting held on June 11, 2018 and June 26, 2017, respectively, as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2017	2016	2017	2016
Special reserve	($ 15,425)	$ 15,425	-	-
Cash dividends	98,853	158,164	$ 2.5	$ 4

The Company had resolved in the board meeting the earnings distribution and dividends per share of 2018 on March 27, 2019 as follows:

	Appropriation of Earnings	Dividend Per Share (NT$)
Cash dividends	$ 98,853	$ 2.5
Stock dividends	79,082	2

The proposal for the distribution of earnings in 2018 is pending on the resolution of the General Meeting of shareholders scheduled to be held in June 17, 2019.

(4) Special reserve

	2018	2017
Balance, beginning of year	$ 28,925	$ 14,546
Effect of functional currency changes	-	(1,046)
Appropriation of special reserve		
Deductions from other equity items	-	15,425
(Reversal) special reserve		
Other equity deduction reversal	(15,425)	-
Balance, end of year	$ 13,500	$ 28,925

(5) Non-controlling interest

	2018	2017
Balance, beginning of year	$ 144,700	$ 129,599
Net profits of the current year	22,929	16,148
Other comprehensive income of the current year		
Exchange differences from the translation of financial statements of foreign operations	(2,743)	(1,047)
Acquisition of non-controlling interest of Lemtech Precision Material Co. (Note 28)	(148,405)	-
Balance, end of year	$ 16,481	$ 144,700

23. Revenue

	2018	2017
Revenue from Contracts with Customers		
Revenue from sale of goods	$ 6,043,090	$ 4,255,549

(1) Revenue from sale of goods

Sales revenue comes from selling 3C electronic products and automotive components. When goods were sold, customers have already had the right to use goods and bear the burden of risk for losses and damages occurring to goods, therefore the Consolidated Company recognizes revenues and accounts receivable at the time of the sale.

(2) Contract balances

	December 31, 2018
Contract liability – current	$ 66,510

(3) Detailed classification of revenue from contracts with customers

For the detailed classification of revenue, please refer to Note 40.

24. Net profits of the current year

The net income of the current year includes the following items:

(1) Other income

	2018	2017
Interest revenue		
Bank deposits	$ 10,268	$ 3,535
Subsidies revenue	13,500	10,850
Others	2,531	3,198
	$ 26,299	$ 17,583

(2) Other gains and losses

	2018	2017
Net foreign exchange gain (loss)	($ 49,300)	$ 62,507
Gain (loss) in disposal of property, plant and equipment	(527)	72
Net loss on fair value changes of financial liabilities designated as at fair value through profit or loss	(1,990)	-
Gain on disposal of associates	-	499
Gain on reversal of impairment (loss)	3,640	(1,483)
Others	(10,908)	(2,406)
	($ 59,085)	$ 59,189

(3) Financial costs

	2018	2017
Interest from bank borrowings	$ 41,881	$ 22,045
Convertible corporate bonds	3,761	-
	$ 45,642	$ 22,045

(4) Gain on reversal of impairment (loss)

	2018	2017
Property, plants and equipment (included in the other net gain (loss))	$ 3,640	($ 1,483)

(5) Depreciation and amortization

	2018	2017
Consolidation of depreciation expenses based on functions		
Operating cost	$ 100,515	$ 64,318
Operating expenses	69,818	40,290
	$ 170,333	$ 104,608
Consolidation of amortization expenses based on functions		
Operating cost	$ 111	$ 482
Operating expenses	5,521	4,387
	$ 5,632	$ 4,869

(6) Employee benefits expenses

	2018	2017
Short-term employee benefits	$ 610,857	$ 491,552
Retirement benefits		
Defined contribution pension plan	24,157	20,805
Total employee benefits expenses	$ 635,014	$ 512,357
Consolidation based on functions		
Operating cost	$ 320,597	$ 259,439
Operating expenses	314,417	252,918
	$ 635,014	$ 512,357

(7) Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, the Company shall allocate profit sharing bonus to employees and compensation to directors of the Company not less than 0.5% and not more than 2% of annual profits during the period, respectively. The Company's profit sharing bonus to employees and compensation to directors for 2018 and 2017, respectively, had been approved by the Board of Directors of the Company held on March 27, 2019 and March 22, 2018, respectively.

Estimate on ratio

	2018	2017
Remuneration to employees	0.5%	0.5%
Remuneration to directors/supervisors	1%	0.6%

Amount

	2018	2017
	Cash	Cash
Remuneration to employees	$ 1,946	$ 1,510
Remuneration to directors/supervisors	3,892	1,922

If there are still changes in the amount specified in the consolidated financial statement after announcement, proceed to the accounting of change and adjusted for booking in the next fiscal year.

The actual amount for remuneration to employees, Directors and Supervisors in 2017 and 2016 did not vary from the amount recognized in the consolidated financial statements of 2017 and 2016.

For further information on the appropriation of remuneration to the employees and Directors and Supervisors by the Board of Taichung Commercial Bank in 2018 and 2017, visit the "MOPS" website of Taiwan Stock Exchange Corporation.

(8) Foreign exchange gain (loss)

	2018	2017
Total foreign currency exchange gains	$139,532	$152,335
Total foreign exchange gain (loss)	(188,832)	(89,828)
Net profit (loss)	($ 49,300)	$ 62,507

25. Income tax

(1) Major components of income tax expense (benefit) are as follows:

	2018	2017
Current tax		
Incurred during the year	$ 51,694	$ 43,206
Withholding tax for retained earnings distributed by subsidiaries	-	3,112
Prior year adjustment	(4,451)	(4,816)
	47,243	41,502
Deferred tax		
Incurred during the year	42,882	8,356
Unappropriated retained earnings by subsidiaries	47,729	29,946
Change in tax rate	(1,093)	-
	89,518	38,302
Income tax expense recognized in the profit or loss	$ 136,761	$ 79,804

Adjustment of accounting income and income tax expense are as follows:

	2018	2017
Income before tax from continuing operations	$ 542,164	$ 394,320
The reconciliation of imputed income taxes on pretax income at statutory tax rate to income tax expense. (LDC Co., Ltd. adopted tax rates of 20% and 17% for 2018 and 2017, respectively).	$ 92,676	$ 42,771
Non-deductible expenses and losses for tax purposes	416	588
The effect of earnings of the subsidiaries upon deferred income tax	47,729	29,946
Withholding tax for retained earnings of subsidiaries	-	3,112
Unrecognized deductible temporary differences	650	7,327
Change in tax rate	(1,093)	-
Others	834	876
Income tax expense of prior years adjusted in the current year	(4,451)	(4,816)
Income tax expense recognized in the profit or loss	$ 136,761	$ 79,804

LDC Co., Ltd. of the Consolidated Company is subject to an individual of Income Tax Act of the R.O.C, which the applicable income tax rate is 17% for 2017. In February 2018, the Income Tax Act in the R.O.C. was amended and, starting from 2018, the corporate income tax rate was adjusted from 17% to 20%. In addition, the tax rate for 2018 unappropriated retained earnings was reduced from 10% to 5%.Lemtech Precision Material Co., the China subsidiary of the Consolidated Company, received the Certificate of High and New Tech Enterprise from the local government on November 30, 2016, and could enjoy the preferential tax rates of 15% from 2016 to 2019.

As the earnings distribution to be resolved in the 2019 shareholders' meeting remains uncertain, the potential income tax consequence of levying an additional 5% income tax on the 2018 undistributed earnings cannot be reliably determined.

(2) Current income tax asset and liability

	December 31, 2018	December 31, 2017
Current income tax asset		
Tax refund receivable	$ 31	$ 1,805
Current Tax Liability		
Payable income tax	$ 13,318	$ 8,766

(3) Deferred income tax assets and liabilities

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

2018

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Exchange differences	Balance, end of year
Deferred income tax assets					
Temporary difference					
Allowance to reduce inventory to market	$ 3,903	$ 784	$ -	($ 92)	$ 4,595
Allowance for bad debt	2,491	1,690	-	(83)	4,098
Foreign investment income or loss recognized under equity method	3,026	5,934	-	(176)	8,784
Unrealized gain or loss	1,201	(1,201)	-	-	-
Loss deduction	4,089	(3,220)	-	-	869
Others	2,486	67	-	(52)	2,501
Subtotal deferred income tax assets	$ 17,196	$ 4,054	$ -	($ 403)	$ 20,847
Deferred tax liabilities					
Temporary difference					
Foreign investment income or loss recognized under equity method	$ 104,376	($ 17,507)	$ 434	($ 178)	$ 87,125
Unrealized gain or loss	-	454	-	-	454
Allowance for bad debt	-	12	-	-	12
Others	7,065	110,613	-	2,891	120,569
Subtotal deferred tax liabilities	$ 111,441	$ 93,572	$ 434	$ 2,713	$ 208,160

2017

	Balance, beginning of year	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Exchange differences	Balance, end of year
Deferred income tax assets					
Temporary difference					
Allowance to reduce inventory to market	$ 2,392	$ 1,524	$ -	($ 13)	$ 3,903
Allowance for bad debt	1,256	1,232	-	3	2,491
Foreign investment income or loss recognized under equity method	-	2,988	-	38	3,026
Unrealized gain or loss	860	341	-	-	1,201
Loss deduction	3,444	645	-	-	4,089
Others	2,276	119	-	91	2,486
Subtotal deferred income tax assets	$ 10,228	$ 6,849	$ -	$ 119	$ 17,196
Deferred tax liabilities					
Temporary difference					
Foreign investment income or loss recognized under equity method	$ 62,823	$ 45,151	$ 1,637	($ 5,235)	$ 104,376
Others	7,065	-	-	-	7,065
Subtotal deferred tax liabilities	$ 69,888	$ 45,151	$ 1,637	($ 5,235)	$ 111,441

(4) Income tax audit

The declaration for corporate income tax of LDC Co., Ltd. of the Consolidated Company have been examined and approved by the tax authorities for the years through 2016.

26. Earnings per share

Unit: NT$ per share

	2018	2017
Basic earnings per share	$ 9.67	$ 7.55
Diluted earnings per share	$ 9.49	$ 7.54

The earnings and weighted average common stock shares used in calculating the earnings per share are as follows:

Net profits of the current year

	2018	2017
Net profit attributable to the company	$ 382,474	$ 298,368
The net income applied to calculate basic earnings per share	$ 382,474	$ 298,368
Effect of dilutive potential common stock:		
Net interest on convertible bonds	3,761	-
Net profits for the calculation of diluted earnings per share	$ 386,235	$ 298,368

Quantity

Unit: Thousand shares

	2018	2017
Weighted average common stock shares used to calculate basic earnings per share	39,541	39,541
Effect of dilutive potential common stock:		
Convertible corporate bonds	1,158	-
Remuneration to employees	12	12
Weighted average common stock shares used to calculate diluted earnings per share	40,711	39,553

If the consolidated company may choose to have the employee compensation distributed via a stock or cash dividend, calculate the diluted earnings per share, assuming that the bonus to employees is with a stock dividend distributed, with the weighted average number of shares outstanding included when the potential common stock has a diluted effect. When diluted EPS is calculated in the next year resolves the number of share distribution for employee compensation, the dilution effect is also considered for such potential common shares.

27. Government grant

The Consolidated Company obtained government grants for patents in the amount of NT$13,500 and NT$10,850 thousand for 2018 and 2017, respectively, from Kunshan City Government. Recognized other income of NT$13,500 and NT$10,850 thousand for 2018 and 2017, respectively.

28. Equity transactions with non-controlling interests

In September 2018, the Consolidated Company had acquired 0.2% and 9.8% remaining shares of Lemtech Precision Material Co. from minority interests through the Company and Global Solution, and the acquisition amounts are NT$1,412 and NT$77,244 thousand, respectively. After the acquisition, the overall percentage of ownership by the Consolidated Company increased from 90% to 100%, which are owned 0.2% and 99.8% by the Company and Global Solution, respectively. Since the transaction has not changed the control over subsidiaries by the Consolidated Company, the Consolidated Company considered it as an equity transaction, and the differences of the equity transaction were adjusted to increase additional paid-in capital by NT$79,798 thousand.

Since the transaction referred to above did not change the control of the Consolidated Company over the subsidiaries, the Consolidated Company has it processed as an equity transaction.

	Lemtech Precision Material Co. 2018
Cash consideration paid	($ 78,656)
The net book value of the subsidiary's assets is calculated in accordance with the relative changes in equity that should be transferred out of the non-controlling equity	148,405
Adjustments attributable to other equity items of the shareholders of the Company	
- Exchange differences from the translation of financial statements of foreign operations	10,049
Equity transaction balance	$ 79,798

Adjustment of equity transaction balance	Subsidiaries of Lemtech Precision Material Co. 2018
Additional paid-in capital - difference between fair value and carrying amount of the acquisition or disposal of subsidiaries	$ 79,798

29. Cash flow information

Non-cash transactions

The Consolidated Company's non-cash investment and financing activities in 2018 and 2017 were as follows:

(1) The cash paid to purchase property, plants and equipment are adjusted as follows:

	2018	2017
Current year increase (including prepayments for equipment)	$ 366,468	$ 569,847
Mold inventory reclassification	7,216	4,131
Changes in payables to equipment suppliers and construction contractors.	2,751	(4,617)
The cash paid to purchase property, plants and equipment	$ 376,435	$ 569,361

(2) The cash paid to distribute cash dividend of subsidiaries are adjusted as follows:

	2017
The subsidiaries declare the amount of cash dividends distributed attributable to the non-controlling interest	$ 91,411
Withholding tax for retained earnings distributed	(9,141)
Foreign exchange impact amount	(7,632)
The amount of cash paid for dividends of subsidiaries	$ 74,638

Lemtech Precision Material Co., a subsidiary of the Company, resolved by the board meeting on March 25, 2016 to pay cash dividends of total amount RMB 182,896 thousand, approximately NT$ 914,114 thousand. During 2016, Lemtech Precision Material Co., a subsidiary of the Company, had paid tax imposed on dividends and part of the dividends amounting to RMB 786 thousand for its parent company Global Solution, and for the remaining amount had all been paid up during 2017.

30. Agreement on operational leasehold

The consolidated company is the lessee

Finance leases are signed for renting plants and equipment, and the lease terms are between 1 and 6 years. All finance lease contracts over 5 years contain clauses for market rental reviews every 5 years. The Consolidated Company does not have a bargain purchase option to acquire the leased plants and equipment at the expiration of the lease periods.

The total future minimum lease payments of the non-cancelable operating leases are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 29,145	$ 14,932
1 ~5 years	80,197	14,747
	$ 109,342	$ 29,679

31. Capital risk management

The consolidated company manages capital to ensure the Group’s enterprises to maximize shareholder’s returns by optimizing the balance of debt and equity under the precondition of continuing operation. The overall strategy of the Consolidated Company has not changed since 2017.

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

The consolidated company is not required to comply with other external capital requirements.

The Consolidated Company’s management reviews the capital structure yearly, and the reviews include taking into consideration the cost of capital and the risks associated with each class of capital. The consolidated company based on the suggestions of management has the overall capital structure balanced by paying dividends, issuing new shares, buying back shares and issuing new debts or paying back old debts.

32. Financial instruments

(1) Information of fair value – financial instruments not measured by fair value

The Consolidated Company’s management believes that due to the short maturities of the carrying amounts of financial assets and financial liabilities not measured at fair value or with equal amounts to future receivable prices, the carrying values represent a reasonable basis to estimate fair values.

(2) Information on fair value – financial instruments at fair value on repetition

1. Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss				
Corporate bonds payable with call provisions	$ -	$ -	$ 910	$ 910

There was no transfer between hierarchy 1 and hierarchy 2 fair value measurements in January 1 to December 31, 2018.

2. Reconciliation of financial assets at Level 3 fair value:

2018

Financial liabilities at fair value through profit or loss	Derivative instruments
Balance, beginning of year	$ -
Recognized in profit and loss (Other profit or loss)	(1,990)
New addition	1,080
Balance, end of year	($ 910)
Unrealized gain or loss during the current period	($ 1,990)

3. Evaluation techniques and an input value of Level 3 fair value measurement

Corporate bonds payable with call provisions presumes corporate bonds will be redeemed on July 30, 2021, and the discount rates adopted are based on government bonds with similar issue dates and durations, plus risk premiums.

(3) Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Loans and accounts receivable (Note 1)	$ -	$ 2,616,855
Financial assets at amortized cost (Note 2)	2,800,470	-
Financial liabilities		
Measured at fair values through profit and/or loss		
Financial liabilities at FVTPL	910	-
Financial liabilities at amortized cost (Note 3)	3,221,314	2,914,085

Note 1: The balance amount includes loans and receivable measured at cost after amortization, including cash and cash equivalents, Investments in bonds with no public quotations in open market, notes receivable, accounts receivable, other receivables and guarantee deposits paid.

Note 2: The balance includes financial assets measured at amortized cost which comprises cash and cash equivalents, notes receivable, accounts receivable, other receivables, and refundable deposits.

Note 3: The balance includes financial liabilities measured at amortized cost which comprises short-term borrowings, notes and accounts payable, other payables, corporate bonds payable and long-term loans.

(4) Purpose and policy of financial risk management

The financial instruments of the Consolidated Company includes various kinds of deposits products, financial products, accounts receivable, accounts payable, corporate bonds payable and borrowings. The Consolidated 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 Consolidated Company through internal risk reports which analyzes exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board of Directors manages overall risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance to the fullest extent.

1. Market Risk

(1) Exchange rate risk

The primary operating locations of the Consolidated Company are China and Taiwan; therefore the Consolidated Company is exposed to foreign exchange rate risks from various kinds of foreign currency risks. In order to minimize the risk, the Consolidated Company monitors fluctuations of foreign currency exchange rates.

As of balance sheet date, the carrying amount of non-functional foreign currency-denominated financial assets and liabilities (including monetary items of non-functional currency eliminated in the consolidated financial statements), please refer to Note 38.

<u>Sensitivity analysis</u>

The Consolidated Company is prone to the impact of changes in USD exchange rates.

The consolidated company's sensitivity analysis for New Taiwan Dollar (functional currency) to each relevant foreign currency exchange rates that increased or decreased by 1% is illustrated in the following table. The 1% sensitivity is used internally for reporting the exchange rate risk to management and is the assessment by management regarding the reasonable and possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts designated as cash flow hedges, 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 profit before income tax associated with the NTD strengthens 1% against the relevant currency. For a 1% weakening of the NTD against the relevant currency, there would be an equal and opposite impact on profit before income tax, and the balances below would be negative.

	Influence of USD	
	2018	2017
Profit before income tax increase (decrease)	$ 4,532	($ 3,282)

As of balance sheet date, the effect on profit before income tax mainly results from outstanding and unhedged cash flow of USD-denominated accounts receivable and accounts payable.

(2) Interest rate risk

The significant interest-bearing assets and liabilities of the Consolidated Company will be renewed regularly. The Consolidated Company is exposed to cash flow interest rate risk because of holding bank deposits and loans at both fixed and floating interest rates.

The book value of the financial assets and financial liabilities with interest rate risk exposure on the consolidated company's balance sheet date is as follows:

	December 31, 2018	December 31, 2017
Contain cash flow interest rate risk		
－Financial assets	$ 553,494	$ 765,087
－Financial liabilities	1,585,944	1,677,188

Sensitivity analysis

The Consolidated Company's primary interest rate risk exposures are bank deposits, financial assets measured at amortized cost, debt investments or loans without an active market. An increase or decrease of 0.5% basis points is used when reporting interest rate risk internally to key management personnel and represents management's assessment of change in interest rates.

The sensitivity analysis describes the interest-bearing items owned by the Consolidated Company and changes on a 0.5% interest rate fluctuation at the end of reporting period. A positive number of the following summary table represents when benchmark interest rate increases by 0.5%, other variables were held constant, and it will increase the amounts of profit before income tax in the current period.

	The impact of an increase in interest rates	
	2018	2017
An increase in profit before income tax	($ 5,162)	($ 4,561)

2. Credit Risk

Credit risk meant for the consolidated company's risk of financial loss due to the counterparty's failure in fulfilling contractual obligations. As is the nature of the industry in which the Consolidated Company operates, there is no significant concentration of credit risk. The Consolidated company has established procedures where the credit line of customers are granted through credit analysis and investigation based on the appropriate financial information provided by customers to ensure the sales of service will not lead to significant credit risk.

The main counterparties for the accounts receivable and accounts payable of the Consolidated Company are foreign-capital enterprises established in China and internationally well-known businesses. Please refer to Note 11 for credit risk management and impairment conditions.

The bank deposits and other investments in financial assets of the Consolidated Company are primarily deposited in banks with good credit ratings from international credit rating institutions. Therefore there is no significant credit risk.

3. Liquidity Risk

The consolidated company has supported the Group's operations and mitigated changes in cash flow through management and by maintaining adequate cash and cash equivalent positions. The consolidated company's management supervises the use of bank financing facilities and ensures the compliance to the loan agreement.

Bank loan is a main source of liquidity to the consolidated company. As of December 31, 2018 and 2017, for the unused credit line by the Consolidated Company, please refer to the following descriptions.

(1) Liquidity and interest rate risk table of non-derivative financial liabilities

December 31, 2018

	Weighted average effective interest rate (%)	Payment on demand or less than 1 month	1 to 2 months	3 months to 1 year	1 to 5 years	Over 5 year
Floating rate instruments – loans	3.16-5.5	$ 399,081	$ 176,601	$ 433,784	$ -	$ -
Fixed interest rate instruments – corporate bonds	1.55	-	-	-	600,000	-
		$ 399,081	$ 176,601	$ 433,784	$ 600,000	$ -

December 31, 2017

	Weighted average effective interest rate (%)	Payment on demand or less than 1 month	1 to 2 months	3 months to 1 year	1 to 5 years	Over 5 year
Floating rate instruments – loans	2~4.437	$ 485,088	$ 458,441	$ 681,579	$ 52,080	$ -

(2) Financing amount

	December 31, 2018	December 31, 2017
Unsecured credit line		
- The amount expensed	$ 1,009,466	$ 1,677,188
- The amount not yet expensed	2,787,465	1,523,832
	$ 3,796,931	$ 3,201,020

(5) Information on transfer of financial assets

The relevant information of the accounts receivable factoring of the Company is shown below:

2018

Counterparties	Balance, beginning	The amount of receivables being factored for the current period	The amount collected for the current period	Balance, ending	Prepaid amount by the end of the reporting period	The annual interest rate of prepaid amount (%)	Credit line
Cathay Bank	$ -	$ 985,468	$ 855,332	$ 130,136	$ 704,179	3.23%~4.1%	$ 1,842,900 (USD60,000)

2017: None.

The credit line mentioned above is a revolving credit line.

Under the factoring agreement, the Company is liable for the losses incurred on any business dispute (such as sales return or allowances), while the banks are liable for the losses incurred on credit risks.

33. Related party transactions

The transactions, account balances, income, expenses and losses between the company and subsidiaries (related party of the company) are offset at the time of consolidation; therefore, it is not disclosed in this note. The transactions conducted between the consolidated company and other related parties are as follows:

(1) Names and relation

Name	Affiliation
Aapico Lemtech	Affiliated Enterprises
Lemtech Cryomax	Subsidiaries accounted for under the equity method

(2) Operating revenue

Account titles in book	Type of related party	2018	2017
Sales revenue	Affiliated Enterprises	$ 6,788	$ 15,893

The sales price and payment terms to related parties were not significantly different from those of sales to third parties.

(3) Purchase

Type of related party	2018	2017
Affiliated Enterprises	$ 5,443	$ 1,169

The purchase price and payment terms to related parties were not significantly different from those of sales to third parties.

(4) Accounts receivables – related parties (not including lending to related parties and contract assets)

Account titles in book	Type of related party	December 31, 2018	December 31, 2017
Accounts receivable	Affiliated Enterprises	$ 235	$ 520

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

(5) Payables to concerned parties (excluding loans borrowed from concerned parties)

Account titles in book	Type of related party	December 31, 2018	December 31, 2017
Accounts payable	Affiliated Enterprises	$ 5,684	$ -

For balance of payables to concerned parties outstanding, no guarantee has been provided.

(6) Advances

Type of related party	December 31, 2018	December 31, 2017
Affiliated Enterprises	$ 1,193	$ -

(7) Endorsement and guarantee

Endorsements and guarantees made for others

Type and Name of related party	December 31, 2018	December 31, 2017
Subsidiaries		
Amount guaranteed	$934,905	$ 1,445,794
The actual amounts disbursed	$776,845	$ 1,161,234

(8) Rewards to management

Sum of remuneration for directors and other key members of management:

	2018	2017
Short-term employee benefits	$ 32,329	$ 31,940

The remunerations to the directors and management are determined by the Remuneration Committee in accordance with individual performance and market trends.

34. Pledged assets

The following assets were provided as collateral for bank borrowings:

	December 31, 2018	December 31, 2017
Bank deposits – restricted (classified as financial assets which are not stated at amortized cost)	$ 3,842	$ -
Pledge deposits (classified as debt instruments without an active market)	-	148,800
	$ 3,842	$ 148,800

35. Significant contingent liabilities and unrecognized contractual commitments

In addition to those disclosed in other notes, the significant commitments and contingencies of the Company as of balance sheet date were as follows:

(1) Significant undertaking

In order to diversify the risk of centralized manufacturing in a single region, the Consolidated Company has purchased land which is located at land serial no. 274 and 289, Hwa-Ya lot, Guishan District, Taoyuan City, from an unrelated third party to build for business operations in November 2018. The land area of the subject is 3,588.13 square meters (approximately 1,085.41 ping), with total transaction amount of NT$488,434 thousand. In 2018, the Company has paid the first payment of NT$48,843 thousand; as of March 27, 2019, the Company has paid the second and the third payment of NT$48,843 and NT$40,747 thousand, respectively. After the land ownership transferred is expected to be completed on April 2019, the Company will pay the down payment.

(2) Contingent liabilities

The subsidiary of the Consolidated Company received a statement of civil suit from King Slide Works Co., Ltd (hereinafter to be referred as King Slide Works Co.) on June 26, 2018. The statement of civil suit was brought to Jiangsu Higher People's Court by King Slide Works Co. on June 19, 2018, which has claimed Lemtech Precision Material Co. and Lemtech Slide Co. had been producing, manufacturing and selling slide products without acquiring King Slide Works Co.’s approval and violated its patent rights. Meanwhile, King Slide Works Co. had alleged infringement of patent rights to Jiangsu Higher People's Court, and claimed RMB 100 million of compensation and rights protection expenses of RMB 183,090 and NT$31,748. According to the attorney, Lemtech Precision Material Co. mainly works on the research, production and sales of precision metal stamping parts and molds, and its main products are thermal modules, automotive parts modules, molds and other stamping parts, and is not a manufacturer or retailer for slide products, therefore shall not assume the tort liability of this case; the slide products produced by Lemtech Slide Co. all have relevant patents (some of them are still under application), which are different from the patents owned by King Slide Works Co., according to the attorney's preliminary judgment. Besides, there is not enough evidence to support the claim for compensation by King Slide Works Co.; therefore it is unlikely to make compensation. This case was first conducted for court trial on January 25, 2019, and it's still in the process of its first trial; therefore, it's not possible to make predictions about the case result.

The infringement alleged to Jiangsu Higher People's Court by King Slide Works Co., and sent out disclaimers to the customers of Lemtech Precision Material Co., which has caused a negative impact on the reputation of Lemtech Precision Material Co. Therefore, on behalf of Lemtech Precision Material Co., the Company has alleged litigation to Taiwan Ciaotou District Court on January 15, 2019.

36. Losses due to major disasters: none.

37. Major post-balance sheet events

In order to expand supply chain stability of automotive parts production in China and improve its gross profit margins, the Consolidated Company plans to acquire 83.33% shares of Zhenjiang Emtron Surface Treatment Co., Ltd in China, as well as its debt obligation. The Company has signed an agreement on January 23, 2019 and paid the transaction amount of US$3,640 thousand.

38. Information of foreign currency assets and liabilities with significant effects

The following information was summarized according to the foreign currencies other than the functional currency of the Company, and the exchange rates disclosed were used to translate the foreign currencies into the functional currency. (Functional currency has been transferred from Renminbi to New Taiwan Dollars as of April 1, 2017). Foreign currency assets and liabilities with significant influence are as follows:

Units: in thousands of each foreign currency and NT$ Thousand

December 31, 2018

	Foreign currency	Exchange rate	NT$
Financial assets			
Monetary items			
USD	$ 27,390	30.6922	$ 840,667
RMB	194,760	4.4720	870,967
JPY	88,574	0.2782	24,641
EUR	2,514	35.2000	88,502
Financial liabilities			
Monetary items			
USD	12,624	30.6922	387,445
RMB	30,000	4.4720	134,160
JPY	28,561	0.2782	7,946

December 31, 2017

Financial assets	Foreign currency	Exchange rate	NT$
Monetary items			
USD	$ 19,482	29.8286	$ 581,109
RMB	51,509	4.5577	234,759
JPY	117,342	0.2642	31,002
EUR	1,425	35.57	50,701
Financial liabilities			
Monetary items			
USD	30,486	29.8286	909,344
JPY	29,844	0.2642	7,885

The Consolidated Company is exposed to foreign exchange risks, primarily with respect to New Taiwan Dollars, Renminbi and U.S. dollars. The following information is expressed in the functional currencies of the entity that held foreign currency; also, the exchange rate disclosed refers to the exchange rate used for having such foreign currency converted into the functional currency. Foreign currency gains/losses of material impact is as follows:

	2018		2017	
Functional currency	Functional currency vs. presenting currency	Net gain/loss on exchange	Functional currency vs. presenting currency	Net gain/loss on exchange
NTD	1.0000 (NT$: NT$)	($ 24,868)	1.0000 (NT$: NT$)	$ 30,255
RMB	4.4720 (CNY: NT$)	(121)	4.5577 (CNY: NT$)	(14,387)
USD	30.6922 (USD : NT$)	(24,311)	29.8286 (USD : NT$)	46,639
		($ 49,300)		$ 62,507

39. Notes of disclosure

(1) Significant transactions and (2) transfer investments:

1. The Loaning of funds: Attachment 1.
2. Endorsement and Guarantee: Attachment 2.
3. Marketable securities held at yearend (excluding investments in subsidiaries, affiliated companies, and joint venture equity): None.
4. The cumulative purchase or sale of the same security for an amount exceeding NT$300 million or 20% of paid-in capital: None.
5. The acquisition of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: Attached table 3.
6. The disposal of real estate for an amount exceeding NT$300 million or 20% of paid-in capital: None.
7. The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital: Attached table 4.
8. Accounts receivable-related party reaching NTD 100,000 thousand or more than 20% of the Paid-in shares capital: Attached table 5.
9. Transaction of derivatives: Note 7 and 32.

10. Other: business relationships and significant intercompany transactions between parent and subsidiary units: Attached table 6.

11. Information on investees: Attached table 7.

(3) Investments in Mainland China:

1. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment gain or loss, ending balance, amount received as earnings distributions from the investment, and the limitations on investment: Attached table 8.

2. Significant direct or indirect transactions with the investee in mainland China through third regions, its prices, terms of payment, and unrealized gain or loss: Attached table 8.

   (1) Purchase amount and percentage and the related payables ending balance and percentage

   (2) Sale amount and percentage and the related receivables ending balance and percentage

   (3) Property transaction amount and the profit and loss arising from the acquisitions

   (4) Notes endorsement and guarantee, or the provided collateral ending balance and its purpose

   (5) The maximum financing balance, ending balance, interest rate interval, and total interest amount

   (6) Others transactions with significant influences on the profit and loss or financial position, such as, the offer or acceptance of labor services

40. Segment information

Information that is provided to the decision maker for resource allocation and performance evaluation purposes, with emphasis on the types of products or services delivered. The departments of the Merging Company which should be reported are enumerated below:

Research and Development Department in Taiwan

Manufacturing Department in China

Others

Revenues and operating results of segments

(1) Revenues and operating results of the consolidated company's continuing units are analyzed in accordance with segments to be reported, which are summarized as follows:

2018

	Research and Development Department in Taiwan	Manufacturing Department in China	Others	Elimination of intersegment	Total
Revenues from external customers	$ 217,550	$ 3,812,697	$ 2,012,843	$ -	$ 6,043,090
Inter-segment income	68,037	67,081	302	(135,420)	-
Department income	$ 285,587	$ 3,879,778	$ 2,013,145	($ 135,420)	6,043,090
Interest revenue	$ 904	$ 3,995	$ 29,363	($ 23,994)	10,268
Other income					16,031
					$ 6,069,389
Financial costs	-	48,472	21,164	(23,994)	$ 45,642
Depreciation and amortization	2,617	164,528	8,820	-	175,965
Profit or loss of affiliated companies under the equity method	-	269,645	872,496	(1,127,508)	14,633
Income tax expense (income)	5,675	81,109	49,977	-	136,761
Segment profit (and loss)	$ 24,347	$ 480,684	$ 1,027,881	($ 1,127,509)	$ 405,403
Segment assets	$ 259,714	$ 4,509,044	$ 6,516,371	($ 5,886,702)	$ 5,398,427
Segment liabilities	$ 94,438	$ 2,736,247	$ 1,808,738	($ 1,115,100)	$ 3,524,323

2017

	Research and Development Department in Taiwan	Manufacturing Department in China	Others	Elimination of intersegment	Total
Revenues from external customers	$ 130,549	$ 3,133,004	$ 991,996	$ -	$ 4,255,549
Inter-segment income	20,644	50,265	4,942	(75,851)	-
Department income	$ 151,193	$ 3,183,269	$ 996,938	($ 75,851)	4,255,549
Interest revenue	$ 413	$ 1,682	$ 10,947	($ 9,507)	3,535
Other income					14,048
					$ 4,273,132
Financial costs	-	18,187	12,996	(9,138)	$ 22,045
Depreciation and amortization	2,118	107,230	129	-	109,477
Profit or loss of affiliated companies under the equity method	-	82,349	506,159	(589,463)	(955)
Income tax expense (income)	(1,590)	47,460	33,934	-	79,804
Segment profit (and loss)	($ 8,481)	$ 269,434	$ 643,026	($ 589,463)	$ 314,516
Segment assets	$ 196,548	$ 3,546,875	$ 5,089,402	($ 4,115,896)	$ 4,716,929
Segment liabilities	$ 55,619	$ 2,271,467	$ 1,682,347	($ 912,116)	$ 3,097,317

Sales between segments are carried out at arm's length.

Segment profit represents the profit earned by each segment, including the allocated headquarter administration costs and director compensation, associates accounted for using the equity method, proceed from disposal of associates, rental income, interest income, disposal of real estate, proceeds from disposal of plants and equipment, proceeds from disposal of investments, net (profit) loss of foreign exchange, financial instruments at fair value through profit or loss, financial costs and income tax expenses. The measured figures are provided for main decision makers to allocate resources to segments and evaluate the performance of each segment.

(2) Main revenues from products and service

The product and labor income from continuing operation of the consolidated company is analyzed as follows:

	2018	2017
3C electronic products	$ 3,871,686	$ 2,377,270
Automotive	1,705,041	1,484,569
Building materials	76,076	92,352
Mold and others	390,287	301,358
	$ 6,043,090	$ 4,255,549

(3) Information by areas

The Consolidated Company operates mainly in two areas – Taiwan and China

The Consolidated Company's continuing operating revenues from external customers are divided into the following operating geographical locations, and its non-current assets are divided based on the physical locations of the assets shown as follows:

	Income generated from external customers		Non-Current assets	
	2018	2017	December 31, 2018	December 31, 2017
Asia	$ 5,689,541	$ 4,204,142	$ 1,572,466	$ 1,379,322
America	164,330	49,883	-	-
Europe	189,219	1,524	-	-
	$ 6,043,090	$ 4,255,549	$ 1,572,466	$ 1,379,322

Noncurrent asset does not include deferred income tax assets.

(4) Information on key customers

Revenues amounted to NT$6,043,090 thousand and NT$4,255,549 thousand as of December 31, 2018 and 2017, respectively. Where revenue from single customers contributed 10% or more to the Consolidated Company’s revenue are as follows:

	2018	2017
Customer F (Note)	$ 1,468,721	$ 1,100,509
Customer G (Note)	1,859,819	713,611
	$ 3,328,540	$ 1,100,233

Note: Revenue comes from electronics.

Lemtech Holdings Co., Limited and its subsidiaries

Fund lent to others

2018

Attached table 1

Unit: Unless otherwise stated, amounts in NT$ Thousand

No. (Note 1)	The lender of fund	The borrower of fund	Transaction title	Are they related parties	Maximum balance – current period	Balance, ending (Note 2)	The actual amounts disbursed	Interest rate collars	Nature of loan	Amount of business transactions	Reasons for the necessity of short-term financing	Amount of provision for bad debts	Collateral		Limit of lending to an individual debtor (Note 3)	Total limit of lending (Note 3)	Remarks
													Name	Value			
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (China) Co., Ltd	Other receivables	Yes	$ 247,640	$ 245,720	$ 201,240	6%	Short-term financing needed	$ -	Working capital	$ -	—	$ -	$ 743,049	$ 743,049	
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	Other receivables	Yes	108,720	-	-	1%-2%	Short-term financing needed	-	Working capital	-	—	-	743,049	743,049	
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	Other receivables	Yes	247,640	245,720	-	2%-3%	Short-term financing needed	-	Working capital	-	—	-	743,049	743,049	
1	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd	Other receivables	Yes	560,625	523,399	523,399	3%-3.5%	Short-term financing needed	-	Working capital	-	—	-	896,425	896,425	
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	Other receivables	Yes	30,955	30,715	30,715	3%	Short-term financing needed	-	Working capital	-	—	-	896,425	896,425	
2	LDC Precision Engineering Co., LTD.	Lemtech Precision Material (Czech) s.r.o.	Other receivables	Yes	54,360	-	-	1%	Short-term financing needed	-	Working capital	-	—	-	66,111	66,111	
2	LDC Precision Engineering Co., LTD.	Lemtech Technology Limited	Other receivables	Yes	54,945	-	-	3%	Short-term financing needed	-	Working capital	-	—	-	66,111	66,111	

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-1 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies”, the amount approved by the Board but not yet being drawn shall still be included in the amount for announcement for the disclosure of risk being assumed. If the loans are being retired in the future, disclose the outstanding balance to reflect the adjustment of risk. For public companies proposed the lending of funds before the Board for resolution case by case pursuant to Article 14-2 of the “Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies” whereby the Board resolved to authorize the Chairman to effect the drawdown or in revolving credit in tranches within specific limit and in the year, the amount and the limit approved by the Board shall still be announced as the outstanding balance. In subsequent retirement of loans, repeated drawdown shall still be considered and the amount and the limit approved by the Board shall still be announced as the outstanding balance.

Note 3: (1) The limit and balance of loans to be granted on single counterparts should be applied according to the “Procedures for Lending Funds to Other Parties” approved by the shareholders’ meeting of the Company: for granting loans to any company who has a business relationship with the Company, 1. total amount for the granted loan should not exceed 20% of the Company’s net worth; and the total amount for the granted loan to a company having business relationship with the Company shall not exceed the total transaction amount between the parties during the period of twelve (12) months prior to the time of lending. Value of business transaction refers to the amount of purchase or sale between two parties, whichever the higher. 2. The total amount for the granted loan to a company for funding for a short-term period shall not exceed 40% of the net worth of the Company; and the total amount for the granted loan to a company shall not exceed 40% of the net worth of the Company.

(2) In accordance with the procedures mentioned above, in lending funds by the Company to other parties in need of funds for a short-term period, the limit and balance is 40% of the net worth NT$1,857,623 thousand, which is NT$743,049 thousand; and as for the total amount for the granted loan to a company shall not exceed 40% of the net worth NT$1,857,623 thousand, which is NT$743,049 thousand.

(3) In accordance with the procedures mentioned above, in lending funds by Lemtech Global Solution Co. Ltd. to other parties in need of funds for a short-term period, the limit and balance is 40% of the net worth NT$2,241,062 thousand, which is NT$896,425 thousand; and as for the total amount for the granted loan to a company shall not exceed 40% of the net worth NT$2,241,062 thousand, which is NT$896,425 thousand.

(4) In accordance with the procedures mentioned above in lending funds by LDC Precision Industry Co., Ltd. to other parties in need of funds for a short-term period, the limit and balance is 40% of the net worth NT$165,277 thousand, which is NT$66,111 thousand; and as for the total amount for the granted loan to a company shall not exceed 40% of the net worth NT$165,277 thousand, which is NT$66,111 thousand.

Lemtech Holdings Co., Limited and its subsidiaries

Endorsements and guarantees made for others

2018

Attached table 2

Unit: NT$ Thousand

No. (Note 1)	The company providing the endorsement and/or guarantee	The party receiving the endorsement and/or guarantee		The limit of endorsements and/or guarantees to a single business entity	Maximum balance of endorsement / guarantee made during the current period	Balance of endorsement / guarantee at end of the period	The actual amounts disbursed	The endorsements and/or guarantees secured with property	Total endorsements and guarantees as a percentage of equity in the most recent financial statement	The upper limit of an endorsement and/or guarantee	Guarantee and endorsement of parent company to subsidiary	Guarantee and endorsement of subsidiary to parent company	Guarantee and endorsement in Mainland China
		Company name	Relation (Note 2)										
0	Lemtech Holdings Co., Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	$ 2,229,148	$ 30,715	$ 30,715	$ 30,715	$ -	1.65%	$ 5,572,869	Yes	No	Yes
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (Czech) s.r.o.	3	2,229,148	289,920	105,600	70,400	-	5.68%	5,572,869	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	3	2,229,148	1,162,990	491,440	491,440	-	26.46%	5,572,869	Yes	No	No
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (China) Co., Ltd	3	2,229,148	399,295	307,150	184,290	-	16.53%	5,572,869	Yes	No	Yes
1	Lemtech Precision Material (China) Co., Ltd	Lemtech Precision Material (Czech) s.r.o.	2	853,112	152,208	-	-	-	-	853,112	No	No	No

Note 1: The column for numbering is elaborated below:

(1) Fill in 0 for the issuer.

(2) The investees are sequentially numbered from 1 and so forth.

Note 2: Relationship between guarantor and guarantee is classified into the following six categories:

(1) Any company who has a business relationship with the Company.

(2) Any subsidiary whose voting shares are fifty percent (50%) or more owned, directly or indirectly by the Company.

(3) Any parent company who directly or indirectly owns fifty percent (50%) or more of the Company's voting shares.

(4) Subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company.

(5) Where a company fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) Where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Where inter-enterprises make guarantees based on the performance guarantees obligation under a pre-sale house purchase agreement in accordance with the Consumer Protection Act.

Note 3: (1) The maximum amount permitted to make endorsements/guarantees are dealt with in accordance with the Procedures for Endorsement & Guarantee of the Company which are promulgated pursuant to Article 36 and Article 38 of the Taiwan Securities and Exchange Act and Regulations and approved by a shareholders' meeting: the maximum amount of endorsement/guarantee provided by the Company shall not exceed 300% of the Company's net worth in the current period. The amount of endorsement/guarantee for any one endorsee/guarantee company shall not exceed 120% of the Company's net worth in the current period. Where endorsements/guarantees are provided for an entity due to a business relationship with the Company, the amount of the endorsement/guarantee with respect to the business or company cannot exceed the business transaction amount between the parties ("Business transaction amount" refers the amount of purchases or sales between the parties, whichever is greater). The net worth should be based on the most recent financial statement, which is audited and attested by a certified public accountant. Endorsements/guarantees between subsidiaries whose voting shares are at least 90% owned, directly or indirectly, by the Company, the amount if endorsements/guarantees shall not exceed 10% of the Company's net worth. Endorsements/guarantees between subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company is free from the limit.

(2) According to the procedures mentioned above, the maximum amount of the endorsements/guarantees by the Company is NT$ 5,572,869 thousand, which is 300% of the Company's net worth NT$ 1,857,623 thousand; while the maximum amount of an endorsements/guarantees to a company or business is NT$ 2,229,148 thousand, which is 120% of the Company's net worth NT$ 1,857,623 thousand.

(3) Lemtech Precision Material (China) Co., Ltd has established relevant procedures otherwise. The maximum amount of the endorsements/guarantees amount of Lemtech Precision Material (China) Co., Ltd is NT$ 853,112 thousand, which is 50% of the Company's net worth NT$ 1,706,223 thousand; while the maximum amount of an individual loan to a company or business is NT$ 853,112 thousand, which is 50% of the Company's net worth NT$ 1,706,223 thousand.

Lemtech Holdings Co., Limited and its subsidiaries

Acquisition of real estate exceeding NT$300 million or 20% of paid-in capital.

2018

Attached table 3

Unit: Unless otherwise stated, NT$ Thousand

Companies acquiring properties	Asset title	Date of occurrence	Transactions amount	Payment status	Counterparties	Relation	If the counterparty is a related party, the information on previous transaction				Reference for price determination	Purpose of acquisition and the state of use	Other terms and conditions
							Owner	Relationship with the issuer	Date of transfer	Amount			
Lemtech Holdings Co., Limited	Land	2018/11/09	$ 488,434	$ 48,843	Note	None	Not applicable	-	-	$ -	Based on real estate market conditions and professional appraisal reports.	For the needs of operations and production.	None

Note 1: The acquired assets shall be appraised pursuant to relevant rules should states the appraisal results in the column of "the reference basis for price determination."

Note 2: Paid-in capital is the paid-in capital of the parent company. In the case of an issuer with shares having no par value or a par value other than NT$10, regarding the regulations of a transaction amount reaching 20% of the Company's paid-in capital, the amount shall be calculated using 10% of the equity attributable to owners of the parent in the balance sheet.

Note 3: The event date refers to the transaction date, payment date, commission date, account transfer date, board resolution date, or other dates when the trade counterparty and trade amount is confirmed, whichever is sooner.

Note 4: Where a trading counterparty is a natural person and not an associate, they shall be exempt from disclosure.

Lemtech Holdings Co., Limited and its subsidiaries

The purchase or sale with the related party for an amount exceeding NT$100 million or 20% of paid-in capital

January 1 to December 31, 2018

Attached table 4

Unit: Unless otherwise stated, NT$ Thousand

The company of purchase or sales	Counterparties	Relation	Transaction situation				Situation and reason that the transaction terms are different from general transactions		Notes receivables (payables) and trade receivables (payables)		Remarks
			Purchase (sales)	Amount	Percentage in total purchase (sale) amount %	Loan period	Unit price	Loan period	Balance	Accounted for percentage of total accounts receivable (accounts payable)	
Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	Subsidiaries	Sales	$ 179,584	4.32%	Payment term is due 120 days from the invoice date	According to the transfer pricing policy of the Company	-	Accounts receivable $ 158,780	10.14%	

Lemtech Holdings Co., Limited and its subsidiaries

Accounts receivable-related party reaching NTD 100,000 thousand or more than 20% of the Paid-in shares capital

2018

Attached table 5

Unit: NT$ Thousand

Companies listed in receivables	Name of counterparty	Relation	Balance of related party receivables	Turnover	Overdue related party receivables		Amount of related party receivables collected after maturity	Amount of provision for bad debts
					Amount	Disposition method		
Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	Subsidiaries	Accounts receivable $ 158,780	Note 2	$ -	—	$ 146,732	$ -
Lemtech Holdings Co., Limited	Lemtech Precision Material (China) Co., Ltd	Sub-subsidiary	Other receivables 203,923	Note 2	-	—	203,923	-
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd	Subsidiaries	Other receivables $ 528,792	Note 2	-	—	-	-

Note 1: Long-term investments accounted for under the equity method of consolidated entities have been eliminated.

Note 2: They are other receivables, therefore will not be included for calculating receivable turnover ratio.

Lemtech Holdings Co., Limited and its subsidiaries

Business relationship and significant transactions between the parent company and subsidiaries

2018

Attached table 6

Unit: NT$ Thousand

No.	Trader's name	Counterparty	Relationship with trader (Note)	Transactions			
				Title	Amount (thousand)	Terms and conditions	Accounted-for percent of total consolidated revenue or percent of total assets
0	Lemtech Holdings Co., Limited	Lemtech Technology Limited	1	Other revenue, other expenses	$ 24,220	General trading condition	0.40%
0	Lemtech Holdings Co., Limited	Lemtech Precision Material (China) Co., Ltd	1	Other receivables (payables)	203,923	General trading condition	3.78%
1	Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd	1	Other receivables (payables)	528,792	General trading condition	9.80%
1	Lemtech Global Solution Co. Ltd.	Lemtech Technology Limited	1	Other receivables (payables)	30,692	General trading condition	0.57%
2	Lemtech Precision Material (China) Co., Ltd	Lemtech Precision Material (Czech) s.r.o.	1	Receivable (payable) accounts	28,207	General trading condition	0.52%
2	Lemtech Precision Material (China) Co., Ltd	Lemtech Precision Material (Czech) s.r.o.	1	Sales revenue (purchases)	28,627	General trading condition	0.47%
2	Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	1	Receivable (payable) accounts	158,780	General trading condition	2.94%
2	Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	1	Account payable (accounts receivable)	42,441	General trading condition	0.79%
2	Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	1	Sales revenue (purchases)	179,584	General trading condition	2.97%
3	Lemtech Technology Limited	Kunshan Lemtech Slide Technology Co., Ltd.	3	Purchases (sales revenue)	47,986	General trading condition	0.79%
3	Lemtech Industrial Services Ltd	Kunshan Lemtech Slide Technology Co., Ltd.	1	Purchases (sales revenue)	21,668	General trading condition	0.36%
4	LDC Precision Engineering Co., LTD.	Lemtech Technology Limited	3	Sales revenue (purchases)	63,773	General trading condition	1.05%
4	LDC Precision Engineering Co., LTD.	Lemtech Technology Limited	3	Receivable (payable) accounts	26,713	General trading condition	0.49%

Note 1: The information of business operation between the parent company and its subsidiaries should be documented in the respectively numbered column as follows:
1. Fill in "0" for parent company.
2. The subsidiaries are sequentially numbered from 1 and so forth.

Note 2: The relationship with the traders is classified into three categories, which should be specified (the transaction conducted between the parent company and its subsidiaries or between two subsidiaries need not be disclosed in duplication. Such as: if the parent company has the transaction with the subsidiaries disclosed, the subsidiaries need not to have it disclosed in duplication. If one of the two subsidiaries has the transaction disclosed, the other subsidiary needs not to have it disclosed in duplication).
1. The Parent Company to the Subsidiary.
2. The Subsidiary to the Parent Company.
3. The Subsidiary to the Subsidiary.

Note 3: Calculate the ratio of the transaction amount to consolidate the total income or total assets. For the assets and liabilities account, calculate the ratio of the ending balance to the consolidated total assets. For the profits and losses account, calculate the ratio of the end cumulated amount to the consolidated total income.

Note 4: Since there is no relevant transaction to follow, its transaction terms are determined by actual operational needs.

Note 5: All the transactions mentioned above have been eliminated on consolidated financial statements.

Note 6: The Company may determine discretionally whether to have the material transactions in the table illustrated according to its materiality.

Lemtech Holdings Co., Limited and its subsidiaries

Information regarding investee's name and location, et al.

2018

Attached table 7

Unit: NT$ Thousand

Investor	Name of investee	Location	Principal business	Sum of initial investment		End shareholding			Net income of investee	Recognized investment Income	Remarks
				Current period-end	The end of last year	Quantity	Percentage %	Book value			
	Controlling										
The Company	Lemtech Global Solution Co. Ltd.	Mauritius	Investment	$ 112,397	$ 112,397	2,500,000	100	$ 2,241,062	$ 406,646	$ 406,646	Subsidiaries
The Company	Lemtech Precision Material (China) Co., Ltd	Kunshan, China	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal molds, computer connectors, computer thermal modules, and new types of electronic components, as well as selling the company's products, etc.	1,412	-	126,000	0.2	3,384	466,048	393	Subsidiaries
Lemtech Global Solution Co. Ltd.	Lemtech Precision Material (China) Co., Ltd	Kunshan, China	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal molds, computer connectors, computer thermal modules, and new types of electronic components, as well as selling the company's products, etc.	323,279	246,035	62,874,000	99.8	1,702,810	466,048	465,655	Sub-subsidiary
Lemtech Precision Material (China) Co., Ltd	Lemtech Technology Limited	Hong Kong	Selling automotive, electronics and computer related components.	597	597	-	100	426,465	284,868	284,868	Third-tier subsidiaries.
Lemtech Precision Material (China) Co., Ltd	LDC Precision Engineering Co., LTD.	Taiwan	Manufacturing and wholesaling household appliances, audio and video electronic products, other electrical machinery and electronic mechanical devices, automotive and components, other optical and precision mechanical parts.	9,524	9,524	-	100	165,277	24,347	24,347	Third-tier subsidiaries.
Lemtech Precision Material (China) Co., Ltd	Lemtech Precision Material (Czech) s.r.o.	Czech	Manufacturing automotive components (car roof windows, brakes and seat belts, etc.), parts and accessories (steering wheel drive shaft etc.), and supplies for consumer electronic components and sever products.	195,984	269	-	100	130,572	(39,561)	(39,561)	Third-tier subsidiaries.
Lemtech Technology Limited	Lemtech USA Inc.	U.S.	Business development in the U.S. market, collecting business information, and providing market and industry information.	1,502	1,502	-	100	149	(655)	(655)	Third-tier subsidiaries.
Lemtech Technology Limited	Lemtech Industrial Services Ltd.	Samoa	Selling electronics and computer parts and components	46,792	46,792	1,425,000	57	21,847	(10,821)	(6,168)	Third-tier subsidiaries.
Lemtech Industrial Services Ltd.	Kunshan Lemtech Slide Technology Co., Ltd.	Kunshan, China	Design and manufacture slides, hinges, and relevant accessories, as well as selling the company's products, etc.	69,758	69,758	-	100	31,451	(8,744)	(8,744)	Third-tier subsidiaries.
	With significant influence.										
Lemtech Technology Limited	Aapico Lemtech Co.,Ltd	Thailand	Designing, manufacturing, production, and assembly automotive, electronics and computer components and accessories.	16,452	16,452	160,000	40	29,692	38,195	14,164	Investments accounted for under equity method.
Lemtech Global Solution Co. Ltd.	Lemtech Cryomax System Corp.	Taiwan	Sales, automotive, electronics and computer components.	3,650	-	500,000	50	3,810	353	171	Investments accounted for under equity method.

Note 1: Information on investments in Mainland China please refers to table 8.

Lemtech Holdings Co., Limited and its subsidiaries

Information regarding investment in the territory of mainland china

2018

Attached table 8

Unit : NT$ thousand; Foreign currency amount in thousands

1. Name of invested company in China, principal business, paid-in capital, mode of investment, outward/inward remittance of fund, shareholding percentage, investment income, book value of investment and investment income repatriated to Taiwan:

Invested Company in China	Principal business	Paid-in shares Capital	Mode of investments	Accumulated amount of investment remitted from Taiwan at beginning	Amount of investment remitted or recovered in current period		Accumulated amount of investment remitted from Taiwan at ending	Net income of investee	Shareholdings of the Company's direct or indirect investment (%)	Recognized in this period Investment gains/loss	Investment at end of year Book Value	ROI remitted to Taiwan at ending
					Outward remittance	Recover						
Lemtech Precision Material (China) Co., Ltd	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal molds, computer connectors, computer thermal modules, and new types of electronic components, as well as selling the company's products, etc.	$ 273,372 (RMB 63,000)	Lemtech Global Solution Co. Ltd. has invested and owns 99.8% of the shares.	$ -	$ -	$ -	$ -	$ 466,048	99.8	$ 465,655 (Note)	$ 1,702,810	$ -
Lemtech Precision Material (China) Co., Ltd	Manufacturing and designing various kinds of fine blanking dies, die casting non-metal molds, computer connectors, computer thermal modules, and new types of electronic components, as well as selling the company's products, etc.	273,372 (RMB 63,000)	Lemtech Group. has invested and owns 0.2% of the shares.	-	-	-	-	466,048	0.2	393 (Note)	3,384	-
Kunshan Lemtech Slide Technology Co., Ltd.	Design and manufacture slides, hinges, and relevant mechanical assemblies, as well as selling the company's products, etc.	69,758 (RMB 15,000)	Lemtech Industrial Services Ltd. has invested and owns 100% of the shares.	-	-	-	-	(8,744)	51	(8,744) (Note)	31,451	-

Note: Profit or loss on investments was recognized based on the financial statements for the same period which was audited by parent company's accountants.

2. Limit of investment in Mainland China:

Accumulated investment from Taiwan to Mainland China at ending	Amount of investment approved by Investment Commission of MOEA	Investment amount approved by the Investment Commission MOEAIC
$ -	Not applicable	Not applicable

3. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area, please refer to table 6.
4. For endorsements and guarantees or collaterals provided, either directly or indirectly through a third area, with investee companies in the Mainland Area, please refer to table 2.
5. For financing, either directly or indirectly through a third area, with investee companies in the Mainland Area, please refer to table 1.
6. Other income or loss or significant transactions that affected the financial position of the Company: None.