JPP Holding Company Limited and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
JPP Holding Company Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are stated as follows:

Inventory Valuation

The Group sells highly customized processed sheet metal products which are unique with low possibility of resale, therefore, there is a risk of overvaluation of inventories due to slow-moving or obsolete inventories, furthermore, as of December 31, 2018, the net amount of inventories was NT$277,713 thousand and was considered material. As inventories are valued at the lower of cost and net realizable value, and the assessment of net realizable value of inventories involves significant judgment, the valuation of inventories has been deemed as a key audit matter for the year ended December 31, 2018. For the related accounting estimates and judgments, refer to Note 5 to the consolidated financial statements: summary of significant accounting policies.

The main audit procedures we performed in response to the above-mentioned key audit matter were focused on the year-end inventory valuation based on our understanding of the industry background and product nature, which includes understanding and testing the design and implementation of the main internal controls related to inventory valuation; obtaining the Group's inventory valuation and inventory aging data; sampling and checking the accuracy of the inventory aging schedule; based on observations from the year-end inventory physical count, sampling and checking the raw data used for the calculation of allowance for inventory valuation losses; and performing our own calculation on the allowance for inventory valuation losses based on the raw data mentioned above, and comparing this result with the allowance the Group has recognized to ensure the allowance accounted for inventory valuation losses is sufficient.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ching-Cheng Yang and Chih-Yuan Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2019

Notice to Readers

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

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

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash (Notes 3 and 6)	$ 143,030	6	$ 309,850	15
Financial assets at amortized cost -current (Notes 3, 9 and 32)	60,721	2	-	-
Debt investments with no active market - current (Notes 3, 11 and 32)	-	-	57,724	3
Trade receivables (Notes 3 and 12)	298,772	12	275,414	13
Trade receivables from related parties (Notes 3, 12 and 31)	13,386	1	2,703	-
Inventories (Note 13)	277,713	11	199,528	9
Other current assets (Notes 18 and 31)	28,708	1	14,722	1
Total current assets	822,330	33	859,941	41
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income -non-current (Notes 3 and 8)	10,029	-	-	-
Financial assets measured at cost - non-current (Notes 3 and 10)	-	-	11,183	1
Property, plant and equipment (Notes 15 and 32)	1,368,637	55	1,096,348	52
Goodwill (Note 16)	111,885	4	-	-
Other intangible assets (Note 17)	55,424	2	56,735	3
Deferred tax assets (Note 26)	4,354	-	4,273	-
Other non-current assets (Note 18)	139,445	6	61,063	3
Total non-current assets	1,689,774	67	1,229,602	59
TOTAL	$ 2,512,104	100	$ 2,089,543	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Notes 19 and 32)	$ 199,730	8	$ -	-
Financial liabilities at fair value through profit or loss (Notes 7 and 20)	-	-	6,248	-
Notes payable	10,612	1	11,011	1
Trade payables	157,021	6	133,482	6
Trade payables to related parties (Note 31)	7,831	-	13,666	1
Other payables (Notes 21 and 31)	85,534	3	97,005	5
Current tax liabilities (Note 26)	4,893	-	16,103	1
Current portion of long-term borrowings and bonds payable (Notes 19, 20 and 32)	126,075	5	93,773	4
Finance lease payables - current (Note 22)	146	-	701	-
Other current liabilities	13,167	1	640	-
Total current liabilities	605,009	24	372,629	18
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 19 and 32)	233,848	9	183,520	9
Deferred tax liabilities (Note 26)	37,372	2	31,242	1
Finance lease payables - non-current (Note 22)	-	-	141	-
Net defined benefit liabilities - non-current (Note 23)	19,060	1	18,969	1
Guarantee deposits received	24	-	23	-
Total non-current liabilities	290,304	12	233,895	11
Total liabilities	895,313	36	606,524	29
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Note 24)				
Share capital				
Ordinary shares	394,646	16	388,913	18
Capital surplus	775,720	31	747,180	36
Retained earnings				
Legal reserve	74,022	3	53,566	3
Special reserve	89,284	3	89,284	4
Unappropriated earnings	278,049	11	273,730	13
Total retained earnings	441,355	17	416,580	20
Other equity	(15,914)	(1)	(69,664)	(3)
Total equity attributable to owners of the Company	1,595,807	63	1,483,009	71
NON-CONTROLLING INTERESTS	20,984	1	10	-
Total equity	1,616,791	64	1,483,019	71
TOTAL	$ 2,512,104	100	$ 2,089,543	100

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

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OPERATING REVENUE (Note 31)	$ 1,217,575	100	$ 1,273,827	100
OPERATING COSTS (Notes 13, 25 and 31)	805,152	66	820,291	64
GROSS PROFIT	412,423	34	453,536	36
OPERATING EXPENSES (Notes 25 and 31)				
Selling and marketing expenses	44,252	4	43,746	4
General and administrative expenses	172,919	14	153,335	12
Research and development expenses	19,118	2	16,647	1
Expected credit loss	95	-	-	-
Total operating expenses	236,384	20	213,728	17
PROFIT FROM OPERATIONS	176,039	14	239,808	19
NON-OPERATING INCOME AND EXPENSES (Notes 25 and 31)				
Other income	3,942	-	4,269	-
Other gains and losses	5,326	1	15,410	1
Finance costs	(11,558)	(1)	(10,914)	(1)
Total non-operating income and expenses	(2,290)	-	8,765	-
PROFIT BEFORE INCOME TAX	173,749	14	248,573	19
INCOME TAX EXPENSE (Note 26)	27,280	2	44,126	3
NET PROFIT (LOSS) FOR THE YEAR	146,469	12	204,447	16

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JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	2018		2017	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (Notes 23 and 26)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	$ 2,709	-	$ (1,937)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	(1,562)	-	-	-
Exchange differences arising on translation to the presentation currency	54,782	5	19,616	1
Income tax relating to items that will not be reclassified subsequently to profit or loss	-	-	185	-
Other comprehensive income for the year, net of income tax	55,929	5	17,864	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 202,398	17	$ 222,311	17
NET PROFIT (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 146,518	12	$ 204,558	16
Non-controlling interests	(49)	-	(111)	-
	$ 146,469	12	$ 204,447	16
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	$ 202,977	17	$ 222,426	17
Non-controlling interests	(579)	-	(115)	-
	$ 202,398	17	$ 222,311	17
EARNINGS PER SHARE (Note 27)				
Basic	$ 3.74		$ 5.29	
Diluted	$ 3.69		$ 5.29	

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

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company											
	Ordinary Share Capital (Note 24)			Retained Earnings (Note 24)				Other Equity				
	Shares (Thousand)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2017	38,539	$ 385,393	$ 730,053	$ 37,453	$ -	$ 275,071	$ 312,524	$ (89,284)	$ -	$ 1,338,686	$ 125	$ 1,338,811
Special reserve under Rule No.1010012865 issued by FSC	-	-	-	-	89,284	(89,284)	-	-	-	-	-	-
Appropriation of 2016 earnings												
Legal reserve	-	-	-	16,113	-	(16,113)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(98,750)	(98,750)	-	-	(98,750)	-	(98,750)
	-	-	-	16,113	-	(114,863)	(98,750)	-	-	(98,750)	-	(98,750)
Convertible bonds converted to ordinary shares	352	3,520	17,127	-	-	-	-	-	-	20,647	-	20,647
Net profit (loss) for the year ended December 31, 2017	-	-	-	-	-	204,558	204,558	-	-	204,558	(111)	204,447
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(1,752)	(1,752)	19,620	-	17,868	(4)	17,864
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	-	202,806	202,806	19,620	-	222,426	(115)	222,311
BALANCE AT DECEMBER 31, 2017	38,891	388,913	747,180	53,566	89,284	273,730	416,580	(69,664)	-	1,483,009	10	1,483,019
Appropriation of 2017 earnings												
Legal reserve	-	-	-	20,456	-	(20,456)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(124,452)	(124,452)	-	-	(124,452)	-	(124,452)
	-	-	-	20,456	-	(144,908)	(124,452)	-	-	(124,452)	-	(124,452)
Convertible bonds converted to ordinary shares	573	5,733	28,540	-	-	-	-	-	-	34,273	-	34,273
Acquisition of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	21,553	21,553
Net profit (loss) for the year ended December 31, 2018	-	-	-	-	-	146,518	146,518	-	-	146,518	(49)	146,469
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	2,709	2,709	55,312	(1,562)	56,459	(530)	55,929
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	149,227	149,227	55,312	(1,562)	202,977	(579)	202,398
BALANCE AT DECEMBER 31, 2018	39,464	$ 394,646	$ 775,720	$ 74,022	$ 89,284	$ 278,049	$ 441,355	$ (14,352)	$ (1,562)	$ 1,595,807	$ 20,984	$ 1,616,791

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

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 173,749	$ 248,573
Adjustments for:		
Depreciation expenses	115,472	111,641
Amortization expenses	8,276	6,522
Expected credit loss	95	-
Reversal of doubtful accounts	-	145
Net loss (gain) on fair value change of financial assets and liabilities designated as at fair value through profit or loss	(1,835)	5,068
Finance costs	11,558	10,914
Interest income	(2,004)	(2,134)
Gain on disposal of property, plant and equipment	(844)	(1,240)
Gain on disposal of prepaid land	-	(36,225)
Allowance for inventory valuation and obsolescence loss	(245)	1,657
Unrealized loss on foreign currency exchange	699	57
Changes in operating assets and liabilities		
Trade receivables	23,413	(10,194)
Trade receivables from related parties	(10,406)	2,584
Inventories	(33,366)	(47,913)
Other current assets	(6,932)	(4,581)
Notes payable	(399)	10,399
Trade payables	(447)	17,913
Trade payables to related parties	(5,835)	(3,058)
Other payables	(12,837)	8,159
Other current liabilities	708	(750)
Net defined benefit liabilities	2,075	1,091
Cash generated from operations	260,895	318,628
Interest received	1,300	1,815
Interest paid	(10,192)	(8,489)
Income tax paid	(31,496)	(27,460)
Net cash generated from operating activities	220,507	284,494
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(59,734)	-
Proceeds of due of financial assets at amortized cost	58,988	-
Purchase of debt investments with no active market	-	(56,730)
Proceeds from sale of debt investments with no active market	-	56,062
Purchase in financial assets at cost	-	(10,796)
Acquisition of associates	(171,213)	-
Payments for property, plant and equipment	(328,740)	(101,463)
Proceeds from disposal of property, plant and equipment	1,038	2,906
Proceeds from disposal of prepaid land	-	100,402

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JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

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

	2018	2017
(Increase)/decrease in refundable deposits	$ (251)	$ 1,066
Purchase of other intangible assets	(4,821)	(35,149)
Increase in prepayments for land and equipment	(74,642)	(48,009)
Net cash used in investing activities	(579,375)	(91,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	197,592	-
Proceeds from long-term borrowings	160,304	-
Repayments of long-term borrowings	(62,513)	(30,060)
Refunds of guarantee deposits received	1	1
Dividends paid to owners of the Company	(124,452)	(98,750)
Increase in non-controlling interests	21,553	-
Decrease in finance lease receivables	(696)	(1,430)
Net cash generated from (used in) financing activities	191,789	(130,239)
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	259	6,301
NET INCREASE (DECREASE) IN CASH	(166,820)	68,845
CASH AT THE BEGINNING OF THE YEAR	309,850	241,005
CASH AT THE END OF THE YEAR	$ 143,030	$ 309,850

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

1. ORGANIZATION AND OPERATIONS

JPP Holding Company Limited (the "Company") was incorporated in Cayman Islands on June 10, 2012, and was set up for the purpose of organizational restructuring. The Company completed organizational restructuring on June 10, 2013, and after restructuring, the Company became the ultimate parent company of the whole group.

The Company was listed on the mainboard of the Taipei Exchange in October 2014, and transferred listing to the Taiwan Stock Exchange ("TWSE") on March 9, 2017.

The functional currency of the Company is the Thai Baht. For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in New Taiwan dollars since the Company's shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on March 26, 2019.

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

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

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

   1) IFRS 9 "Financial Instruments" and related amendments

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

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

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

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

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash	Loans and receivables	Amortized cost	$ 309,850	$ 309,850	
Equity securities	Financial assets carried at cost - non-current	Fair value through other comprehensive income (i.e. FVTOCI) - equity instruments	11,183	11,183	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	57,724	57,724	b)
Notes receivable, trade receivables and other receivables	Loans and receivables	Amortized cost	278,117	278,117	c)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remea-surements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
Financial assets at fair value through comprehensive income	$ -						
Add: Reclassification from measured at cost (IAS 39)							
Equity instruments	$ -	$ 11,183	$ -	$ 11,183	$ -	$ -	a)
	$ -	$ 11,183	$ -	$ 11,183	$ -	$ -	

a) Investments in unlisted shares previously measured at cost under IAS 39 have been designated as at FVTOCI under IFRS 9 and were remeasured at fair value.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

c) Notes receivable, trade receivables and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

There is no material impact on the initial application of the aforementioned amendments in 2018.

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

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

There is no material impact on the initial application of the aforementioned amendments in 2018.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS endorsed by the FSC for application starting from 2019

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

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

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

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

- IFRS 16 "Leases"

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

  Definition of a lease

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

  The Group as lessee

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

The Group expects to apply the following practical expedients:

1) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.

3) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 39,610	$ 39,610
Total effect on assets	$ -	$ 39,610	$ 39,610
Lease liabilities - current	$ -	$ 3,969	$ 3,969
Lease liabilities - non-current	-	35,641	35,641
Total effect on liabilities	$ -	$ 39,610	$ 39,610

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that the application of aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for the asset or liability.

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

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within 12 months after the reporting period; and

3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within 12 months after the reporting period; even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statements of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 14 and Table 4 for the detailed information of subsidiaries (including the percentage of ownership and main businesses).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gains on bargain purchases. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. The measurement period does not exceed 1 year from the acquisition date.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date.

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

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations (including the subsidiaries, associates, joint ventures or branch operations in other countries or subsidiaries which use currencies that are different from the Group) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of Company and non-controlling interests as appropriate).

g. Inventories

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

h. Property, plant and equipment

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

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

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

i. Goodwill

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

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

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

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

j. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

k. Impairment of tangible and intangible assets other than goodwill

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

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

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

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

l. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

2018

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

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

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

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

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

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

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

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL and loans and receivables.

i. Financial assets at FVTPL

Investments in equity instruments under financial assets at FVTPL that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented as a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Loans and receivables

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

b) Impairment of financial assets and contract assets

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, lease receivables, as well as contract assets.

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

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

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

2017

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

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

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

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

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

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

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

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

On derecognition of a financial asset other than in its entirety, the difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part that is no longer recognized and any cumulative gain or loss allocated to it which had been recognized in other comprehensive income is recognized in profit or loss.

2) Financial liabilities

a) Subsequent measurement

Except for financial liabilities at FVTPL that are measured at fair value, all financial liabilities are measured at amortized cost using the effective interest method.

Fair value is determined in the manner described in Note 30.

b) Derecognition of financial liabilities

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

3) Convertible bonds

The conversion option component of the convertible bonds issued by the Group, which will be settled other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of the Company's own equity instruments, is classified as a derivative financial liability.

On initial recognition, the derivative financial liability component of the convertible bonds is recognized at fair value, and the initial carrying amount of the non-derivative financial liability component is determined by deducting the amount of the derivative financial liability component from the fair value of the hybrid instrument as a whole. In subsequent periods, the non-derivative financial liability component of the convertible bonds is measured at amortized cost using the effective interest method. The derivative financial liability component is measured at fair value, and the changes in fair value are recognized in profit or loss.

m. Revenue recognition

2018

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

1) Revenue from the sale of goods

Revenue from the sale of goods comes from sales of precision sheet metal products and is recognized when the goods are delivered to the customer's specific location or when the goods are shipped. Revenue and trade receivables are recognized concurrently.

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

2) Rendering of services

Service income is recognized when services are provided.

2017

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

1) Revenue from the sale of goods

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

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

2) Rendering of services

Service income is recognized when services are provided.

3) Interest income

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

n. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

The minimum lease payments are allocated to financial expenses and for reduction of the lease liabilities in order for the interest rate calculated on the basis of the debt balance to be fixed. Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

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

o. Borrowing costs

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

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

p. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

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

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

q. Taxation

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Write-down of Inventory

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

6. CASH

	December 31	
	2018	**2017**
Cash on hand	$ 880	$ 449
Checking accounts and demand deposits	142,150	309,401
	$ 143,030	$ 309,850

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

	December 31	
	2018	**2017**
Demand deposits	0.03%-0.63%	0.25%-0.40%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial liabilities - current		
Financial liabilities held for trading		
Derivative financial liabilities		
Convertible bonds	$ -	$ 6,248

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

	December 31, 2018
Non-current	
Overseas unlisted ordinary shares	$ 10,029

9. FINANCIAL ASSETS AT AMORTIZED COST - 2018

	December 31, 2018
Current	
Domestic investments	
Time deposits with original maturities of more than 3 months (a)	$ 60,721

a. The interest rates for time deposits with original maturities of more than 3 months were from 1.10% to 1.25% as at the end of the reporting period. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 11 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 32 for information relating to investments in financial assets at amortized cost pledged as security.

10. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Current	
Overseas unlisted ordinary shares	$ 11,183

Management believed that the above unlisted equity investments held by the Group had fair values which cannot be reliably measured, because the range of reasonable fair value estimates was so significant. Therefore, they were measured at cost less impairment at the end of the reporting period.

11. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturities of more than 3 months	$ 57,724

a. The market interest rate range of the time deposits with original maturities of more than 3 months was 1.10%-1.38% per annum as of December 31, 2017.

b. Refer to Note 32 for information relating to debt investments with no active market pledged as security.

12. TRADE RECEIVABLES

	December 31	
	2018	2017
Trade receivables (including related parties)		
At amortized cost		
Gross carrying amount	$ 312,612	$ 278,461
Less: Allowance for impairment loss	(454)	(344)
	$ 312,158	$ 278,117

In 2018

The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables.

The Group uses other publicly available financial information or its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced. Due to historical experience, the Group recognized an allowance for impairment loss of 100% against all receivables aged over 180 days except for the receivables recovered before the issuance of the consolidated financial statements. The Group reviews the trading records and analyzes the financial status to estimate the unrecoverable debts for the customers' overdue receivables which are less than 180 days overdue excluding those received before the issuance of the consolidated financial statements.

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

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

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

December 31, 2018

	Not Past Due	**Up to 30 Days**	**31 to 90 Days**	**91 to 180 Days**	**Total**
Expected credit loss rate	0.00%	0.00%	0.26%	12.49%	
Gross carrying amount	$ 261,129	$ 16,726	$ 31,794	$ 2,963	$ 312,612
Loss allowance (Lifetime ECLs)	-	-	(84)	(370)	(454)
Amortized cost	$ 261,129	$ 16,726	$ 31,710	$ 2,593	$ 312,158

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

	2018
Balance at January 1, 2018 per IAS 39	$ 344
Adjustment on retrospective application of IFRS 9	-
Balance at January 1, 2018 per IFRS 9	344
Add: Net remeasurement of loss allowance (a)	95
Foreign exchange gains and losses	15
Balance at December 31, 2018	$ 454

In 2017

The Group applied the same credit policy in 2018 and 2017. The average credit period of sales of goods was 30-90 days. No interest was charged on trade receivables. Due to historical experience, the Group recognized an allowance for impairment loss of 100% against all receivables aged over 180 days except for the receivables recovered before the issuance of the consolidated financial statements. The Group reviews the trading records and analyzes the financial status to estimate the unrecoverable debts for the customers' overdue receivables which are less than 180 days overdue excluding those received before the issuance of the consolidated financial statements.

For some trade receivable balances that were past due at the end of the reporting period, the Group did not recognize an allowance for impairment loss because there was no significant change in credit quality and the amounts (which included interest accrued after the receivable was more than 180 days outstanding) were still considered recoverable. The Group did not hold any collateral or other credit enhancements for these balances.

The aging of receivables was as follows:

	December 31, 2017
Not past due	$ 257,616
0-30 days	9,306
31-90 days	10,692
91-180 days	847
	$ 278,461

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

The aging of receivables that were past due but not impaired was as follows:

	December 31, 2017
Up to 30 days	$ 9,282
31-90 days	10,582
91-180 days	637
	$ 20,501

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

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

	December 31, 2017
Balance at January 1, 2017	$ 194
Add: Impairment losses recognized on receivables	145
Foreign exchange translation gains and losses	5
Balance at December 31, 2017	$ 344

The aging analysis of individually impaired trade receivables was as follows:

	December 31, 2017
Up to 30 days	$ 24
31-90 days	110
91-180 days	210
	$ 344

The above aging of trade receivables before deducting the allowance for impairment loss was presented based on the number of past due days from the end of the credit term.

13. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 67,719	$ 35,870
Work in process	86,676	62,682
Raw materials	121,377	99,374
Inventories in transit	1,941	1,602
	$ 277,713	$ 199,528

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 were $805,152 thousand and $820,291 thousand, respectively.

The cost of goods sold for the year ended December 31, 2018 included reversals of inventory write-downs of $245 thousand which were due to the sale of aged inventories.

The cost of goods sold for the year ended December 31, 2017 included inventory write-downs of $1,657 thousand.

14. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)		
			December 31		
Investor	Investee	Nature of Activities	2018	2017	Remark
The Company	Jinpao Precision Industry Co., Ltd. (Jinpao)	Material parts design and manufacturing	99.99	99.99	a and b
Jinpao	Jinpao Precision Japan Co., Ltd. (Jinpao Japan)	Processed metal products development and trading	80.00	80.00	a and b
Jinpao	Jinpao Europe SAS (Jinpao Europe)	Metal parts manufacturing and milling	76.00	-	a, b and c
Jinpao Europe SAS	Atelier de decolletuge de Bigorre (ADB)	Metal parts manufacturing and milling	100.00	-	a, b and c
Jinpao Europe SAS	SAS LUTEC (LUTEC)	Metal parts manufacturing and milling	100.00	-	a, b and c

Remarks:

a. The financial statements of the subsidiaries for the years ended December 31, 2018 and 2017 have been audited.

b. The financial statements of the Group and Jinpao were prepared on the basis of their functional currency, the Thai Baht. The financial statements of Jinpao Japan were prepared on the basis of its functional currency, the Japanese Yen. The financial statements of Jinpao Europe, ADB and LUTEC were prepared on the basis of their functional currency, the Euro. In the preparation of the consolidated financial statements, the account items were translated into the presentation currency, the New Taiwan

dollar, as follows: all balance sheet accounts were translated at their respective functional currencies at the balance sheet dates, equity accounts were translated based on the historical exchange rates, and all income statement accounts were translated at the average exchange rates for the periods. Exchange differences on translation of foreign currencies are recognized as other comprehensive income and classified within the shareholders' equity section. The spot exchange rates of THB to NT$ on December 31, 2018 and 2017 are THB1=NT$0.9532 and THB1=NT$0.9176, respectively. The average exchange rates of THB to NT$ in 2018 and 2017 are THB1=NT$0.9377 and THB1=NT$0.9018, respectively.

c. The Group setup Jinpao Europe on November 23, 2018 and acquired 76% of its shares. The Group also acquired 100% of the shares of ADB and LUTEC, refer to Note 28 for the relevant disclosures of the business combination.

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building	Machinery and Equipment	Other Equipment	Total
Cost					
Balance at January 1, 2017	$ 366,466	$ 351,063	$ 908,150	$ 57,514	$ 1,683,193
Additions	-	13,630	78,113	9,720	101,463
Disposals	-	-	(17,076)	(2,562)	(19,638)
Effect of foreign currency exchange differences	5,102	5,126	13,713	926	24,867
Balance at December 31, 2017	$ 371,568	$ 369,819	$ 982,900	$ 65,598	$ 1,789,885
Accumulated depreciation and impairment					
Balance at January 1, 2017	$ -	$ 93,353	$ 458,991	$ 37,669	$ 590,013
Disposals	-	-	(15,448)	(2,524)	(17,972)
Depreciation expense	-	17,745	85,639	8,257	111,641
Effect of foreign currency exchange differences	-	1,610	7,620	625	9,855
Balance at December 31, 2017	$ -	$ 112,708	$ 536,802	$ 44,027	$ 693,537
Carrying amount at December 31, 2017	$ 371,568	$ 257,111	$ 446,098	$ 21,571	$ 1,096,348
Cost					
Balance at January 1, 2018	$ 371,568	$ 369,819	$ 982,900	$ 65,598	$ 1,789,885
Additions	185,065	35,189	99,650	8,836	328,740
Acquired through business combinations	1,492	-	49,584	13,114	64,190
Disposals	-	-	(1,197)	(2,046)	(3,243)
Effect of foreign currency exchange differences	17,475	14,930	39,761	2,658	74,824
Balance at December 31, 2018	$ 575,600	$ 419,938	$ 1,170,698	$ 88,160	$ 2,254,396
Accumulated depreciation and impairment					
Balance at January 1, 2018	$ -	$ 112,708	$ 536,802	$ 44,027	$ 693,537
Disposals	-	-	(1,193)	(1,856)	(3,049)
Acquired through business combinations		-	37,749	10,620	48,369
Depreciation expense	-	19,646	87,372	8,454	115,472
Effect of foreign currency exchange differences	-	4,698	24,914	1,818	31,430
Balance at December 31, 2018	$ -	$ 137,052	$ 685,644	$ 63,063	$ 885,759
Carrying amount at December 31, 2018	$ 575,600	$ 282,886	$ 485,054	$ 25,097	$ 1,368,637

Other than the recognition of depreciation expenses and the acquisition of land from non-related parties, the Group had no significant disposal of property, plant and equipment for the years ended December 31, 2018 and 2017. Furthermore, after assessment, there was no indication of impairment, hence, the Group did not perform any impairment test. The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Freehold land	20 years
Buildings	5 years
Machinery and equipment	5-10 years
Other equipment	5 years

Property, plant and equipment pledged as collateral for bank borrowings was set out in Note 32.

16. GOODWILL

	December 31, 2018
Cost	
Balance at January 1	$ -
Additional amounts recognized from business combinations occurring during the year (Note 28)	111,885
Balance at December 31	$ 111,885

The Group acquired ADB and LUTEC on December 21, 2018 and recognized goodwill of $111,885 thousand, which was mainly related to the expected benefits from expansion of the business territory, improvements in aerospace engineering technologies and potential sales growth in the Europe market.

17. OTHER INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2017	$ 47,881
Additions	35,149
Effect of foreign currency exchange differences	1,283
Balance at December 31, 2017	$ 84,313
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 20,654
Amortization expenses	6,522
Effect of foreign currency exchange differences	402
Balance at December 31, 2017	$ 27,578
Carrying amount at December 31, 2017	$ 56,735

(Continued)

	Computer Software
Cost	
Balance at January 1, 2018	$ 84,313
Additions	4,821
Effect of foreign currency exchange differences	3,351
Balance at December 31, 2018	$ 92,485
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 27,578
Amortization expenses	8,276
Effect of foreign currency exchange differences	1,207
Balance at December 31, 2018	$ 37,061
Carrying amount at December 31, 2018	$ 55,424

(Concluded)

As there was no indication of impairment after assessment for both the years ended December 31, 2018 and 2017, therefore, the Group did not perform any impairment test.

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	10 years

18. OTHER ASSETS

	December 31	
	2018	2017
Current		
Prepaid expenses and others	$ 28,708	$ 14,722
Non-current		
Prepayments for land and equipment	$ 131,548	$ 60,417
Refundable deposits	897	646
Others	7,000	-
	$ 139,445	$ 61,063

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 32)		
Bank loans*	$ 199,730	$ -

* The range of weighted average effective interest rates on bank loans was 2.69% - 3.00% per annum as of December 31, 2018.

b. Long-term borrowings

	December 31	
	2018	2017
Secured borrowings (Note 32)		
Bank loans (1)	$ 190,640	$ 244,693
Bank loans (2)	116,605	-
Bank loans (3)	47,660	-
Bank loans	5,018	-
	359,923	244,693
Less: Current portions	126,075	61,173
Long-term loans	$ 233,848	$ 183,520

1) As of December 31, 2018 and 2017, the annual weighted average effective interest rates of the bank borrowings secured by the Group's freehold land and buildings (see Note 32) were 3.2540% and 3.2023%, respectively. The loan is due on November 16, 2021.

2) As of December 31, 2018, the Group issued promissory notes as guarantee for the bank loan. The weighted average effective interest rate of the loan was 2.077% per annum. As stated in the contract, the current/debt ratios should not be lower/higher than 100% or the net value should not be lower than $1,477,460 thousand.

3) As of December 31, 2018, the weighted average effective interest rate of the bank borrowings secured by the Group's freehold land and buildings (see Note 32) was 3.2537% per annum.

20. BONDS PAYABLE

	December 31	
	2018	2017
First issuance of unsecured domestic convertible bonds in Taiwan	$ -	$ 32,600

On October 23, 2015, the Group issued 2 thousand units of 0% NT-denominated unsecured convertible bonds in Taiwan, with an aggregate principal amount of $200,000 thousand. The duration is 3 years.

Each bond entitles the holder to convert it into ordinary shares of the Group at a conversion price of $58.9. In the case of ex-right or ex-dividend, the conversion price should be adjusted according to the adjustment formula. On June 26, 2017, the conversion price was adjusted from $56 to $53.8, and on July 31, 2018, the conversion price was adjusted from $53.8 to $51.1.

Conversion may occur at any time between November 24, 2015 and October 23, 2018. If the bonds have not been converted and the closing price of the Group's ordinary shares exceeds 30% of the conversion price for at least 30 consecutive trading days consecutively or the value of the outstanding convertible bonds falls lower by 10% or more compared to the par value, they will be redeemed at face value during the period November 24, 2015 to September 13, 2018.

The convertible bondholders' repurchase date was 2 years after the issuance date (October 23, 2017). The Group is to send a copy of notice to each bondholder which informs them to perform their put-option rights. Bondholders may request the Group to repurchase the bonds at their face value plus interest (102.01% of face value), and the Group should redeem the remaining bonds in cash within 5 trading days after the repurchase date. The convertible bonds were repaid in full on the maturity date.

The liability component includes embedded financial derivatives and non-financial derivatives. On December 31, 2017, the fair value of such embedded financial derivatives was $6,248 thousand, the amount of liabilities of non-financial derivatives measured at amortized cost was $32,600 thousand. The effective interest rate for both derivatives was 5.981% per annum on initial recognition.

Liability component at January 1, 2017 (less allocated separately to the bonds payable of $47,149 thousand and financial assets at FVTPL - current of $3,814 thousand)	$ 50,963
Interest charged at an effective interest rate	2,218
Convertible bonds converted into ordinary shares	(19,890)
Loss on valuation of financial assets	5,068
Effect of exchange rate changes	489
Liability component at December 31, 2017	$ 38,848
Liability component at January 1, 2018 (allocated separately to the bonds payable of $32,600 thousand and financial assets at FVTPL - current of $6,248 thousand)	$ 38,848
Interest charged at an effective interest rate	793
Convertible bonds converted into ordinary shares	(38,657)
Gain on valuation of financial assets	(1,835)
Effect of exchange rate changes	851
Liability component at December 31, 2018	$ -

As of October 22, 2018 (the maturity date of convertible bonds), the Company's convertible bonds from the first issuance of convertible bonds with face value of $195,600 thousand have been converted to 3,414 thousand ordinary shares.

21. OTHER LIABILITIES

	December 31	
	2018	2017
Current		
Other payables		
Payables for equipment	$ 30,737	$ 39,024
Others	54,797	57,981
	$ 85,534	$ 97,005

22. FINANCE LEASE PAYABLES

	December 31	
	2018	2017
Minimum lease payments		
Not later than 1 year	$ 148	$ 729
Later than 1 year and not later than 5 years	-	143
	148	872
Less: Future finance charges	2	30
Present value of minimum lease payments	$ 146	$ 842
Present value of minimum lease payments		
Not later than 1 year	$ 146	$ 701
Later than 1 year and not later than 5 years	-	141
	$ 146	$ 842

The Group leased certain of its manufacturing equipment and vehicles under finance leases. The average lease term was 3-5 years. At the end of the lease term, the Group would obtain ownership of the machines and other equipment for free.

Interest rates underlying all obligations under finance leases were fixed at their respective contract dates, and ranges from 2.55% to 3.95% per annum on both December 31, 2018 and 2017.

23. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plans adopted by Jinpao of the Group in accordance with the Labor Protection Act is operated by the government of Thailand, which is a state-managed defined contribution plan. Pension paid is calculated based on years of service and the salaries before the approved retirement date.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plan are as follows:

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 19,060	$ 18,969
Fair value of plan assets	-	-
Net defined benefit liabilities	$ 19,060	$ 18,969

Movements in net defined benefit assets are as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Assets (Liabilities)
Balance at January 1, 2017	$ 15,670	$ -	$ 15,670
Service cost			
Current service cost	1,371	-	1,371
Net interest expense	468	-	468
Recognized in profit or loss	1,839	-	1,839
Remeasurement			
Actuarial loss - experience adjustments	1,937	-	1,937
Recognized in other comprehensive income	1,937	-	1,937
Benefits paid	(748)	-	(748)
Others	271	-	271
Balance at December 31, 2017	$ 18,969	$ -	$ 18,969
Balance at January 1, 2018	$ 18,969	$ -	$ 18,969
Service cost			
Current service cost	2,075	-	2,075
Net interest expense	-	-	-
Recognized in profit or loss	2,075	-	2,075
Remeasurement			
Actuarial loss - experience adjustments	(2,709)	-	(2,709)
Recognized in other comprehensive income	(2,709)	-	(2,709)
Others	725	-	725
Balance at December 31, 2018	$ 19,060	$ -	$ 19,060

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

	December 31	
	2018	2017
Discount rates	1.76% -3.94%	2.50%
Expected rates of salary increase	2.50%	3.00%

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

	December 31	
	2018	2017
Discount rates		
1%/0.25% increase	$ (1,721)	$ (505)
1%/0.25% decrease	$ 1,994	$ 527
Expected rates of salary increase		
1%/0.25% increase	$ 1,931	$ 480
1%/0.25% decrease	$ (1,704)	$ (463)

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

	December 31	
	2018	2017
Expected contributions to the plan for the next year	$ -	$ -
Average duration of the defined benefit obligation	14 years	13 years

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2018	2017
Numbers of shares authorized (in thousands)	60,000	60,000
Value of shares authorized	$ 600,000	$ 600,000
Number of shares issued and fully paid (in thousands)	39,464	38,891
Value of shares issued	$ 394,646	$ 388,913

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

As of December 31, 2017, the first issuance of unsecured domestic convertible bonds in Taiwan have converted to 352 thousand ordinary shares. The number of ordinary shares issued after the conversion was 38,891 thousand, and the value of shares issued was $388,913 thousand.

As of December 31, 2018, first issuance of unsecured domestic convertible bonds in Taiwan have converted to 573 thousand ordinary shares. The number of ordinary shares issued after the conversion was 39,464 thousand, and the value of shares issued was $394,646 thousand.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Premium from issuance of ordinary shares	$ 775,720	$ 747,180

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

c. Retained earnings and dividends policy

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

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 25(g).

The Group's operations are highly specialized with customized products, and is in the growth stage. The board of directors of the Group proposes the distribution plan based on previous years' retained earnings, overall growth, financial planning, capital needs, industry outlook and future development plans, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. When distributing dividends, the Group should first (i) pay the reserved amount for the yearly tax payment; (ii) offset losses of previous years; (iii) set aside as a legal reserve 10% of the remaining profit (legal reserve); and (iv) set aside as special reserve required by Taiwan Stock Exchange by the rules governing the special reserve of public companies. In accordance with the Company Law of the Cayman Islands and rules of public companies, where the Group made a profit in a fiscal year, the Group may combine all or parts of the accumulated undistributed retained earnings after considering the financial, operational and administrative factors, the board should advise the shareholders that no less than 20% of the undistributed retained earnings should be distributed as dividends to shareholders unless the undistributed retained earnings is less than 20% of the outstanding ordinary shares. The dividends can be distributed in shares or cash, but the cash dividends should not be less than 10% of the total dividends distributed.

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

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

The appropriations of earnings for 2017 and 2016 which were approved in the shareholders' meetings on June 26, 2018 and June 16, 2017, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
Legal reserve	$ 20,456	$ 16,113		
Special reserve	-	89,284		
Cash dividends	124,452	98,750	$3.20 (Note)	$ 2.56

Note: The Company converted the convertible bonds to ordinary shares, which affected the number of outstanding ordinary shares. The shareholders resolved on June 26, 2018 the authorization of the chairman of the board to adjust the shareholders' dividend yield. The adjusted dividend per share was NT$3.17.

The appropriation of earnings for 2018 had been proposed by the Company's board of directors on March 26, 2019. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 14,652	
Cash dividends	102,608	$ 2.60

25. NET PROFIT FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2018	2017
Rental income		
Operating lease contingent rental income	$ 30	$ 28
Interest income		
Bank deposits	2,004	2,134
Others	1,908	2,107
	$ 3,942	$ 4,269

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange gain (loss)	$ 2,647	$(16,987)
Net gain (loss) arising on financial assets and liabilities at fair value through profit or loss	1,835	(5,068)
Gain on disposal of property, plant and equipment	844	1,240
Gain on disposal of prepaid land	-	36,225
	$ 5,326	$ 15,410

c. Finance costs

	For the Year Ended December 31	
	2018	2017
Interest on bank loans	$ 10,750	$ 8,642
Interest on convertible bonds	793	2,218
Interest on obligations under finance lease	15	54
	$ 11,558	$ 10,914

d. Impairment losses reversed on financial assets

	For the Year Ended December 31	
	2018	2017
Trade receivables	$ 95	$ 145

e. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 115,472	$ 111,641
Other intangible assets	8,276	6,522
	$ 123,748	$ 118,163
An analysis of deprecation by function		
Operating costs	$ 106,062	$ 102,581
Operating expenses	9,410	9,060
	$ 115,472	$ 111,641
An analysis of amortization by function		
Operating costs	$ 302	$ 291
Operating expenses	7,974	6,231
	$ 8,276	$ 6,522

f. Employee benefits expense

Function	2018			2017		
Properties	Operating Costs	Operating Expense	Total	Operating Costs	Operating Expense	Total
Salary expense	$ 214,123	$ 100,403	$ 314,526	$ 208,559	$ 97,167	$ 305,726
Insurance expense	-	347	347	-	405	405
Pension expense						
Defined contribution plans	-	162	162	-	183	183
Defined benefit plans	-	2,075	2,075	-	1,839	1,839
Remuneration of directors and supervisors	-	1,960	1,960	-	2,010	2,010
Other employee benefits	241	18,767	19,008	1,337	16,754	18,091
Total employee benefits expense	$ 214,364	$ 123,714	$ 338,078	$ 209,896	$ 118,358	$ 328,254

As of December 31, 2018 and 2017, the Group had 1,151 and 1,197 employees, respectively, including 2 directors not concurrently serving as employees for both years, its calculation basis is the same as that of employee benefits expense.

g. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation at rates between 0.1% and 10%, and accrued remuneration of directors and supervisors at rates no higher than 10% of the net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and remuneration of directors and supervisors for the years ended December 31, 2018 and 2017 which have been approved by the Company's board of directors on March 26, 2019 and March 26, 2018, respectively, are as follows:

Amount

	For the Year Ended December 31	
	2018	2017
Employees' compensation	$ 240	$ 320
Remuneration of directors and supervisors	1,200	1,200

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

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

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

h. Gains or losses on foreign currency exchange

	For the Year Ended December 31	
	2018	2017
Foreign exchange gains	$ 32,760	$ 12,476
Foreign exchange losses	(30,113)	(29,463)
Net foreign exchange gains (losses)	$ 2,647	$ (16,987)

26. INCOME TAXES

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

	For the Year Ended December 31	
	2018	2017
Current tax		
In respect of the current year	$ 19,853	$ 32,381
Deferred tax		
In respect of the current year	7,427	11,745
Income tax expense recognized in profit or loss	$ 27,280	$ 44,126

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

	For the Year Ended December 31	
	2018	2017
Profit before tax from continuing operations	$ 173,749	$ 248,573
Income tax expense calculated at the statutory rate	$ 37,143	$ 54,957
Tax-exempt income	(1,275)	(1,463)
Deferred tax effect of earnings of subsidiaries	(15,931)	(21,398)
Unrecognized deductible temporary differences	7,343	12,030
Income tax expense recognized in profit or loss	$ 27,280	$ 44,126

The Company was established in the British Cayman Islands and is exempt from paying income tax.

The applicable tax rate used by Jinpao Precision Industry Co., Ltd. in Thailand was 20%..

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2018	2017
Deferred tax		
In respect of the current year:		
Remeasurement of defined benefit plans	$ -	$ 185

c. Current tax liabilities

	December 31	
	2018	2017
Current tax liabilities		
Income tax payable	$ 4,893	$ 16,103

d. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Allowance for inventory valuation loss	$ 2,326	$ (27)	$ -	$ 90	$ 2,389
Allowance for doubtful accounts	35	10	-	1	46
Defined benefit plans	1,912	(66)	-	73	1,919
	$ 4,273	$ (83)	$ -	$ 164	$ 4,354
Deferred tax liabilities					
Temporary differences					
Retaining earning of subsidiaries	$ 31,242	$ 7,343	$ -	$ (1,213)	$ 37,372

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Defined benefit plans	$ 2,155	$ 140	$ -	$ 31	$ 2,326
Allowance for inventory valuation loss	20	14	-	1	35
Allowance for doubtful accounts	1,599	100	185	28	1,912
	$ 3,774	$ 254	$ 185	$ 60	$ 4,273
Deferred tax liabilities					
Temporary differences					
Retained earnings of subsidiaries	$ 18,741	$ 12,030	$ -	$ 471	$ 31,242

e. Tax Exemption Information

Jinpao has been granted rights and privileges for the production of metal stamping, metal pieces and aircraft conversion under the Investment Promotion Act of B.E. 2520 (1977), summarized as follows:

1) The preferential measures granted under Certificate Number 1050(1)/2555 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.
- Exemption from corporate income tax for the period of 8 years from the telecommunication income is first derived from the promoted activities which were on November 15, 2012.
- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.
- Reduction from corporate income tax at 50% of normal rate for the period of 5 years after that period of 8 years from the date of the Company receiving the respective revenues.

2) The preferential measures granted under Certificate Number 1218(1)/2555 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.
- Exemption from corporate income tax for the period of 8 years from the aircraft conversion income is first derived from the promoted activities which were on January 4, 2013.
- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.
- Reduction from corporate income tax at 50% of normal rate for the period of 5 years after that period of 8 years from the date of the Company receiving the respective revenues.

3) The preferential measures granted under Certificate Number 61-0665-1-04-1-0 includes the following:

- Exemption from import duties on machinery as approved by the Board of Investment.

- Exemption from corporate income tax for the period of 3 years from the income is first derived from the promotion certificate which were on October 1, 2018. The deduction limit amount is 50% of the investment amount, excluding land price and working capital.

- In case of losses arising from operations during the period which the Company is granted exemption from corporate income tax, such losses incurred can be deducted from net profit after the corporate income tax exemption period up to 5 years from the expiry date of such period and can be selected to deduct from net profit of any one year or several years.

Jinpao has met the requirements stipulated by the Board of Investment.

The Company is exempt from paying tax since it was incorporated in the Cayman Islands. The corporate income tax of the Company through 2017 has been assessed by the tax authorities. The corporate income tax of Jinpao Japan through 2017has been assessed by tax authorities.

27. EARNINGS PER SHARE

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

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Profit for the year attributable to owners of the Company	$ 146,518	$ 204,558
Effect of potentially dilutive ordinary shares - convertible bonds	(986)	-
Earnings used in the computation of diluted earnings per share	$ 145,532	$ 204,558

Weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of ordinary shares used in the computation of basic earnings per share	39,196	38,689
Effect of potentially dilutive ordinary shares:		
Convertible bonds	228	-
Employees' compensation	6	6
Weighted average number of ordinary shares used in the computation of diluted earnings per share	39,430	38,695

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

Since the exercise price of the options or warrants issued by the Company exceeded the average market price of the shares during 2018, they are anti-dilutive and excluded from the computation of diluted earnings per share.

28. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
ADB	Metal parts manufacturing and milling	December 31, 2018	100%	$ 151,770
LUTEC	Metal parts manufacturing and milling	December 31, 2018	100%	$ 52,943

ADB and LUTEC were acquired on December 21, 2018 in order to expand the Group's operating scale, enhance aerospace engineering technologies and for tapping into the Europe market.

b. Consideration transferred

	ADB	LUTEC
Cash	$ 151,770	$ 52,943

c. Assets acquired and liabilities assumed at the date of acquisition

	ADB	LUTEC
Current assets		
Cash	$ 26,540	$ 6,960
Trade receivables	26,915	10,075
Inventories	29,119	6,568
Other current assets	3,985	2,365
Non-current assets		
Equipment	13,616	2,205
Other non-current assets	620	2,869
Current liabilities		
Short-term borrowings	(2,138)	-
Trade payables	(13,269)	(5,556)
Other current liabilities	(8,318)	(3,501)
Non-current liabilities		
Long-term borrowings	(4,817)	(1,410)
	$ 72,253	$ 20,575

The initial accounting for the acquisition of ADB and LUTEC was determined only provisionally at the end of the reporting period. Since the identifiable assets and liabilities assumed at the date of acquisition were not fully valued, the amounts for the year ended December 31, 2018 were only provisionally determined. The retroactive adjustments or other assets or liabilities to be recognized are to reflect new

information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognized as of that date. Therefore, the Group determined to adjust the initial accounting for the acquisition and the provisionally determined amounts upon the receipt of the valuation report in 2019.

d. Goodwill recognized on acquisitions

	ADB	LUTEC
Consideration transferred	$ 151,770	$ 52,943
Less: Fair value of identifiable net assets acquired	(72,253)	(20,575)
Goodwill recognized on acquisitions	$ 79,517	$ 32,368

The goodwill recognized on the acquisitions of ADB and LUTEC mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth, future market development and the assembled workforces of ADB and LUTEC. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The total amount of acquired goodwill is not tax-deductible.

e. Net cash outflow on the acquisition of subsidiaries

	ADB	LUTEC
Consideration paid in cash	$ 151,770	$ 52,943
Less: Cash and cash equivalent balances acquired	(26,540)	(6,960)
	$ 125,230	$ 45,983

g. Impact of acquisitions on the results of the Group

Since the acquisition date, the results of the acquirees included in the consolidated statements of comprehensive income are as follows:

	ADB	LUTEC
Revenue	$ -	$ -
Profit	$ -	$ -

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue from continuing operations would have been $1,384,242 thousand, and the profit from continuing operations would have been $152,466 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. Key management personnel of the Group review the capital structure on an annual basis. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued, and the amount of new debt issued or existing debt redeemed.

30. FINANCIAL INSTRUMENTS

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

December 31, 2017

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities at amortized cost					
Convertible bonds	$ 32,600	$ 43,028	$ -	$ -	$ 43,028

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

1) Fair value hierarchy

December 31, 2018

	Level 1	Level 2	Level 3	Total
Investments in equity instruments at FVTOCI				
Overseas unlisted ordinary shares	$ -	$ -	$ 10,029	$ 10,029

December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL				
Derivatives	$ -	$ 6,248	$ -	$ 6,248

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

2) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - redemption, repurchase, and conversion rights of convertible bonds.	The valuation of convertible bonds is based on a binary tree valuation model, the inputs include fluctuation of conversion price, risk free interest rate, discount rate, and liquidity risk.

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of overseas unlisted equity investments was determined using the market approach.

c. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Financial assets at FVTOCI	$ 10,029	$ -
Financial assets measured at cost	-	11,183
Loans and receivables (1)	-	645,691
Financial assets at amortized cost (2)	515,509	-
Financial liabilities		
Financial liabilities at FVTPL	-	6,248
Financial liabilities at amortized cost (3)	820,797	533,299

1) The balances include loans and receivables measured at amortized cost, which comprise cash, debt investments with no active market, trade receivables, and trade receivables from related parties.

2) The balances include loans and receivables measured at amortized cost, which comprise cash, financial assets at amortized cost, trade receivables, and trade receivables from related parties

3) The balances include financial liabilities measured at amortized cost, which comprise short-term loans, notes payable, trade and other payables, trade payables to related parties, finance lease payables - current , current portion of long-term borrowings and bonds payable, finance lease payables- non-current , and long-term borrowings.

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

The objective of the Group's foreign currency risk management is the trading of financial instruments for hedging purposes rather than for speculation.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to fluctuations in the USD.

The following table details the Group's sensitivity to a 5% increase and decrease in the Thai Baht (the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 5%. The sensitivity analysis included only outstanding foreign exchange 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 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the Thai Baht strengthening 5% against the relevant currency. For a 5% weakening of the Thai Baht against the relevant currency, there would be an equal and opposite impact on pre-tax profit and other equity, and the balances below would be negative.

	USD impact	
	For the Year Ended December 31	
	2018	2017
Profit or loss	$ 6,074*	$ 14,102*

* This was mainly attributable to the exposure outstanding on USD receivables and payables which were not hedged at the end of the reporting period.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings, and using interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rate risk at the end of the reporting period are as follows:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	$ 60,721	$ 57,724
Financial liabilities	199,876	33,442
Cash flow interest rate risk		
Financial assets	142,150	309,401
Financial liabilities	359,923	244,693

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2018 and 2017 would (decrease)/increase by $(2,178) thousand and $647 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of counterparties to discharge an obligation and financial guarantees provided by the Group, could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

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

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

The Group's concentration of credit risk of 22% and 43% of total trade receivables as of December 31, 2018 and 2017, respectively, was due to the Group's five largest customers.

3) Liquidity risk

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

The Group relies on bank borrowings as a significant source of liquidity. The Group is creditworthy and maintains good relationships with financial institutions. Therefore, the Group has no issues when applying for financing facilities from financial institutions.

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

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

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

December 31, 2018

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 92,889	$ 125,596	$ 42,513	$ -	$ -
Finance lease liabilities	42	63	43	-	-
Variable interest rate liabilities	-	-	131,093	228,830	-
Fixed interest rate liabilities	-	12,903	186,827	-	-
	$ 92,931	$ 138,562	$ 360,476	$ 228,830	$ -

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
Non-derivative financial liabilities					
Non-interest bearing liabilities	$ 54,955	$ 148,576	$ 41,057	$ 10,576	$ -
Finance lease liabilities	91	130	509	142	-
Variable interest rate liabilities	-	-	61,173	183,520	-
Fixed interest rate liabilities	-	-	32,600	-	-
	$ 55,046	$ 148,706	$ 135,339	$ 194,238	$ -

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Financing facilities

	December 31	
	2018	2017
Secured bank loan facilities which may be extended by mutual agreement:		
Amount used	$ 554,628	$ 275,280
Amount unused	470,881	458,880
	$ 1,025,509	$ 734,080

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Hoo Thai Industrial Co., Ltd. (Hoo Thai)	Related party with the same board
Chin I Metal Co., Ltd. (Chin I)	Related party with the same board
Hong Yang Thailand Co., Ltd. (Hong Yang)	Related party with the same board

b. Sales of goods

	For the Year Ended December 31	
Related Party Category	**2018**	**2017**
Related party with the same board	$ 34,170	$ 27,556

The prices of goods sold to related parties were made with reference to the market prices and based on the contracts.

c. Purchases of goods

	For the Year Ended December 31	
Related Party Category	**2018**	**2017**
Related party with the same board	$ 36,251	$ 65,712

Purchases prices were based on markup of cost and calculated after consideration of the market prices.

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

		For the Year Ended December 31	
Line Item	**Related Party Category**	**2018**	**2017**
Accounts receivable	Related party with the same board		
	Hoo Thai	$ 12,740	$ 2,464
	Chin I	646	239
		$ 13,386	$ 2,703

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.

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

Line Item	Related Party Category	December 31 2018	December 31 2017
Accounts payable	Related party with the same board		
	Hoo Thai	$ 7,732	$ 13,599
	Chin I	97	64
	Hong Yang	2	3
		$ 7,831	$ 13,666

The outstanding trade payables to related parties are unsecured and will be settled in cash.

f. Other transactions with related parties

Line Item	Related Party Category	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Operating costs - rental and other expenses	Related party with the same board	$ 2,635	$ 2,982
Miscellaneous revenue	Related party with the same board	$ 26	$ 657
Other receivables (classified under other current assets)	Related party with the same board	$ 2	$ 7
Other payables	Related party with the same board	$ 226	$ 314

Rental amounts of rental agreements with related parties were made with reference to the market prices and based on general payment terms.

Miscellaneous revenue and operating expenses from transactions with related were based on mutual agreement from both parties

g. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2018 and 2017 are as follows:

	For the Year Ended December 31 2018	For the Year Ended December 31 2017
Short-term employee benefits	$ 7,626	$ 7,416
Post-employment benefits	89	97
	$ 7,715	$ 7,513

The remuneration of directors and key executives was determined based on the performance of individuals and market trends.

h. Others

Jinpao entered into long-term borrowings with banks, and the board members are appointed as joint guarantors. The balances of guarantee deposits as of December 31, 2018 and 2017 are $0 thousand and $214,503 thousand, respectively.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for banks and courts of law:

	December 31	
	2018	2017
Pledged deposits (classified as debt investments with no active market)	$ -	$ 57,724
Pledged deposits (classified as financial assets at amortized cost)	60,721	-
Property, plant and equipment - net amount	459,391	456,720
	$ 520,112	$ 514,444

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of Jinpao as of December 31, 2018 are as follows:

As of December 31, 2018 and 2017, the unpaid amounts from Jinpao's purchase of land, construction of new factories and purchase of equipment but whose contracts have been signed were $162,256 thousand and $246,866 thousand, respectively.

34. SIGNIFICANT FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 4,788	32.2848 (USD:THB)	$ 147,349
EUR	382	36.7620 (EUR:THB)	13,396
			$ 160,745
Financial liabilities			
Monetary items			
USD	841	32.2848 (USD:THB)	$ 25,878
EUR	44	36.7620 (EUR:THB)	1,550
			$ 27,428

December 31, 2017

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 9,973	32.5146 (USD:THB)	$ 297,541
EUR	653	38.6607 (EUR:THB)	23,186
			$ 320,727
Financial liabilities			
Monetary items			
USD	520	32.5146 (USD:THB)	$ 15,500
EUR	151	38.6607 (EUR:THB)	5,339
			$ 20,839

The Group is mainly exposed to the USD and EUR. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between the respective functional currencies and the presentation currency are disclosed. The significant realized and unrealized foreign exchange gains (losses) are as follows:

	For the Year Ended December 31			
	2018		2017	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain	Exchange Rate	Net Foreign Exchange Loss
THB	0.9377 (THB:NTD)	$ 2,647	0.9018 (THB:NTD)	$ (16,987)

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Financing provided to others (Table 1)

2) Endorsements/guarantees provided (Table 2)

3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 3)

4) Marketable securities acquired or disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital (None)

5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-in capital (None)

6) Disposal of individual real estate at prices of at least NT$300 million or 20% of the paid-in capital (None)

7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

8) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital (None)

9) Trading in derivative instruments (None)

10) Intercompany relationships and significant intercompany transactions (Table 5)

11) Information on investees (Table 4)

b. Information on investments in mainland China (None)

32. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments under IFRS 8 "Operating Segments" are as follows:

a. Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments.

	Total
For the year ended December 31, 2018	
Revenue from external customers	$ 1,217,575
Inter-segment revenue	-
Segment revenue	1,217,575
Eliminations	-
Consolidated revenue	$ 1,217,575
Segment income	$ 176,039
Non-operating income and expense	(2,290)
Income before income tax from continuing operations	$ 173,749
For year ended December 31, 2017	
Revenue from external customers	$ 1,273,827
Inter-segment revenue	-
Segment revenue	1,273,827
Eliminations	-
Consolidated revenue	$ 1,273,827
Segment income	$ 239,808
Non-operating income and expense	8,765
Income before income tax from continuing operations	$ 248,573

Segment profit represents the profit before tax earned by each segment without allocation of interest income, gains or losses on disposal of property, plant and equipment, exchange gains or losses, valuation gains or losses on financial instruments, finance costs and income tax expense. This was the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

b. Segment total assets and liabilities

The Group's valuation of assets and liabilities was not provided to the chief operating decision maker.

c. Other segment information

For the year ended December 31, 2018

	Molding and Metal Parts Department
Depreciation and Amortization	$ 123,748

For the year ended December 31, 2017

	Molding and Metal Parts Department
Depreciation and Amortization	$ 118,163

d. Revenue from major products and services

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

	For the Year Ended December 31	
	2018	**2017**
Founding mold and metal parts	$ 1,217,575	$ 1,273,827

e. Geographical information

The Group operates in one principal geographical areas - Thailand. The Group's revenue from continuing operations from external customers by location of operations and information are detailed in a) segment revenue and results.

f. Information about major customers

Included in revenue arising from the molding and metal parts department of $1,217,575 thousand and $1,273,827 thousand in 2018 and 2017, respectively, is revenue of approximately $167,104 thousand and $171,622 thousand, which arose from sales to the Group's largest customer. Single customers contributing 10% or more to the Group's revenue were as follows:

	For the Year Ended December 31	
	2018	**2017**
Customer A	$ 167,104	$ 171,622
Customer B	125,146	153,838

TABLE 1

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 1)	Ending Balance (Note 1)	Actual Amount Borrowed	Interest Rate (%)	Nature of Financing	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	Jinpao	JPP Holding Company Limited	Other receivables - related party	Yes	$ 52,168 (THB 55,000)	$ -	$ -	3	Short-term financing needs	$ -	Funding needs for redemption of convertible bonds	$ -	None	$ -	$ 321,640 (20% of fair value of Jinpao)	$ 643,280 (40% of fair value of Jinpao)	Note 2
2	Jinpao	Jinpao Europe	Other receivables - related party	Yes	119,141 (EUR 3,400)	$ 119,141 (EUR 3,400)	$ 119,141 (EUR 3,400)	2	Short-term financing needs	$ -	Funding needs for short-term investments	$ -	None	$ -	$ 321,640 (20% of fair value of Jinpao)	$ 643,280 (40% of fair value of Jinpao)	Note 3

Note 1: The financing facilities are approved by the board of directors of the Company and converted at the exchange rate on the balance sheet date.

Note 2: The financing facilities have expired in August 2018.

Note 3: The transactions of the related parties have been eliminated in consolidated financial statements as of and for the year ended December 31, 2018.

TABLE 2

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period (Note)	Outstanding Endorsement/ Guarantee at the End of the Period (Note)	Actual Amount Borrowed (Note)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	JPP Holding Company Limited	Jinpao	2	$ 319,161 (20% of FV of Holding)	$ 119,141 (EUR 3,400)	$ 119,141 (EUR 3,400)	$ 119,141 (EUR 3,400)	$ -	7.47	$ 638,323 (40% of FV of Holding)	Y	-	-	

Note: The limit of the guarantee amount has been approved by the board of the Company, and the exchange rates are based on the rates at the end of the reporting period.

TABLE 3

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousands)	Carrying Amount	Percentage of Ownership	Fair Value	
JPP Holding Company Limited	Shares Superior Plating Technology Holding (Thailand) Co., Ltd.	None	Financial assets at FVTOCI - non-current	350	$ 10,029	8.25	$ 10,029	

TABLE 4

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2018	December 31, 2017	Shares (In Thousands)	%	Carrying Amount			
JPP Holding Company Limited	Jinpao Precision Industry Co., Ltd.	631 Soi 12 Moo 4 Bangpoo Industrial Estate T. Phraksa, A. Muang, Samutprakarn 10280	Material parts design and manufacturing	$ 1,083,348 (THB 1,181,237)	$ 1,046,900 (THB 1,141,237)	63,375	99.99	$ 1,608,199	$ 165,826	$ 165,826	-
Jinpao	Jinpao Precision Japan Co., Ltd.	Vision Center Nihonbashi Fukushima Bldg. 2F, 1-5-3 Nihonbashimuromachi, Chuo-ku, Tokyo, 103-0022, Japan	Developing and selling metal processed products	6,489 (¥ 24,000 thousand)	6,489 (¥ 24,000 thousand)	0.48	80.00	83	52	42	-
	Jinpao Europe SAS	Zone Industrielle Pyrène Aéropôle, 65290 Louey	Metal parts manufacturing and milling	68,278 (EUR 1,900 thousand)	-	1,900	76.00	66,383	(246)	(187)	-
Jinpao Europe SAS	Atelier de decolletage de Bigorre	Zone Industrielle Pyrène Aéropôle, 65290 Louey	Metal parts manufacturing and milling	151,770 (EUR 4,300 thousand)	-	6	100.00	151,770	-	-	-
	SAS LUTEC	27 Chemin Lou Tribail Zone Artisanale de Toctoucau CESTAS, 33610	Metal parts manufacturing and milling	52,943 (EUR 1,500 thousand)	-	418	100.00	52,943	-	-	-

Note 1: Calculated based on the investees' audited financial statements for the same period and the Company's shareholding proportion.

Note 2: The investment gain (loss) of the investee companies, investments accounted for using the equity method and net asset values between investee companies have been fully eliminated upon the preparation of the consolidated financial statements.

TABLE 5

JPP HOLDING COMPANY LIMITED AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales or Assets
1	Jinpao	Jinpao Europe	1	Interests receivable	$ 174	Normal	0.01
1	Jinpao	Jinpao Europe	1	Interests income	177	Normal	0.01
1	Jinpao	Jinpao Europe	1	Other accounts receivable	119,141	Normal	4.74
1	Jinpao	Jinpao Japan	1	Sales revenue	392	Normal	0.03

Note 1: Business relationships between the parent and subsidiaries are numbered as follows:

a. Parent: 0.
b. Subsidiaries are numbered in order from 1.

Note 2: Relationship between parties is numbered as follows:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. One subsidiary to another subsidiary.

Note 3: Percentage of consolidated operating revenues or consolidated total assets: For balance sheet accounts, the percentage is calculated by dividing the ending balance of the account by consolidated total assets; for income statement accounts, the percentage is calculated by dividing the ending balance of the account by the consolidated operating revenues.

Note 4: The disclosure of the significant transactions is determined by the materiality.

Note 5: The transactions of the related parties have been eliminated in the consolidated financial statements as of and for the year ended December 31, 2018.