Lumax International Corp., Ltd. and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2018 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 "Consolidated Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

LUMAX INTERNATIONAL CORP., LTD.

By

C.K. LIN
Chairman

March 22, 2019

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Lumax International Corp., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Lumax International Corp., Ltd. and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and 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.

In our opinion, the accompanying consolidated financial statements 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 accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 on the consolidated financial statements for the year ended December 31, 2018 are as follows:

<u>Revenue from the Rendering of Services Measured at the Percentage of Completion Method</u>

Such contracts related to revenue from the rendering of services intend to satisfy performance obligations over time; therefore, the revenue from rendering of services is recognized in accordance with the percentage of completion. The process of calculating completion ration involves the management's subjective judgment, and the amount of revenue from the rendering of services results in significant accounting estimate. Therefore, we deemed it as a key audit matter.

Our key audit procedures performed in respect of the above item included the following:

1. We understood and tested the design and operating effectiveness of the key controls over estimate for management's recognition of revenue from rendering of services.

2. We understood and assessed the reasonableness of assumptions made and methodology used by management to estimate the percentage of completion.

3. We obtained revenue from the rendering of services calculation table, which is prepared by the management, and verified relevant information and calculation correctness.

Impairment Loss on Inventories

Such inventory is stated at the lower of cost or net realizable value. Determine if the inventory is obsolete or not involves the management's subjective judgment, and the calculation of net realizable value of inventory results in significant accounting estimate. Thus, we deemed that as a key audit matter.

Our key audit procedures performed in respect of the above item included the following:

1. We understood and tested the design and operating effectiveness of the key controls over estimate for management's recognition of impairment loss on inventory of unsold or unused.

2. We understood and assessed the reasonableness of assumptions made and methodology used by management to estimate impairment loss on inventory of unsold or unused.

3. We obtained the lower of inventory cost and net realizable value assessment data, which is prepared by the management, and verified relevant information and calculation correctness.

4. We observed the year-end stocktaking plan in order to assess the appropriateness of the allowance for inventory valuation and obsolescence loss.

Other Matter

We have also audited the parent company only financial statements of Lumax International Corp., Ltd. as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified unqualified report, respectively.

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 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 supervisors, 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 Wen-chin Lin and Li-wen Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 22, 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.

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 1,483,367	20	$ 935,283	14
Financial assets at amortized cost - current (Notes 4, 9 and 27)	1,240,464	17	-	-
Contract assets (Notes 4 and 20)	275,557	4	-	-
Debt investments with no active market - current (Notes 4, 10 and 27)	-	-	1,568,073	23
Notes receivable	213,285	3	121,146	2
Trade receivables (Notes 4, 5 and 11)	1,025,108	14	1,087,839	16
Other receivables (Note 27)	29,765	-	38,046	1
Inventories (Notes 4 and 12)	1,816,838	24	1,593,742	24
Other current assets	60,523	1	56,292	1
Total current assets	6,144,907	83	5,400,421	81
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	15,267	-	-	-
Financial assets measured at cost - non-current (Notes 4 and 8)	-	-	12,662	-
Property, plant and equipment (Notes 4, 14 and 27)	1,071,646	14	1,058,788	16
Investment property (Notes 4, 15 and 27)	113,084	2	115,565	2
Deferred tax assets (Notes 4 and 22)	33,721	-	34,907	-
Refundable deposits	47,814	1	48,813	1
Other non-current assets	15,216	-	14,799	-
Total non-current assets	1,296,748	17	1,285,534	19
TOTAL	$ 7,441,655	100	$ 6,685,955	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Contract liabilities (Notes 4 and 20)	$ 1,646,273	22	$ -	-
Notes payable	29,585	1	25,178	-
Trade payables	387,866	5	382,819	6
Other payables (Note 17)	263,803	4	209,070	3
Current tax liabilities	77,075	1	229,340	4
Advance receipts	-	-	1,097,799	16
Current portion of long-term borrowings (Notes 16 and 27)	20,885	-	20,540	-
Other current liabilities	9,921	-	4,159	-
Total current liabilities	2,435,408	33	1,968,905	29
NON-CURRENT LIABILITIES				
Long-term borrowings (Notes 16 and 27)	88,966	1	109,851	2
Deferred tax liabilities (Notes 4 and 22)	277,934	4	199,965	3
Finance lease payables - non-current	536	-	1,047	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	119,139	1	122,916	2
Guarantee deposits	1,539	-	1,628	-
Total non-current liabilities	488,114	6	435,407	7
Total liabilities	2,923,522	39	2,404,312	36
EQUITY (Notes 4 and 19)				
Common stocks	1,068,398	14	1,068,398	16
Capital surplus - additional paid-in capital	110,891	2	110,891	2
Retained earnings				
Legal reserve	810,490	11	759,823	11
Special reserve	93,004	1	31,819	1
Unappropriated earnings	2,546,883	34	2,403,716	36
Total retained earnings	3,450,377	46	3,195,358	48
Other equity	(111,533)	(1)	(93,004)	(2)
Total equity	4,518,133	61	4,281,643	64
TOTAL	$ 7,441,655	100	$ 6,685,955	100

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

LUMAX INTERNATIONAL CORP., LTD. 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 (Notes 4, 5 and 20)	$ 5,726,944	100	$ 4,631,928	100
OPERATING COSTS (Note 12)	3,928,612	68	3,197,009	69
GROSS PROFIT	1,798,332	32	1,434,919	31
OPERATING EXPENSES (Notes 11 and 21)				
Selling and marketing expenses	580,812	10	498,883	11
General and administrative expenses	199,549	4	195,089	4
Research and development expenses	82,344	1	62,741	1
Expected credit gain	(3,166)	-	-	-
Total operating expenses	859,539	15	756,713	16
OPERATING INCOME	938,793	17	678,206	15
NON-OPERATING INCOME AND EXPENSES (Note 21)				
Other income	46,984	1	32,306	-
Other gains and losses	20,768	-	(56,215)	(1)
Finance costs	(2,049)	-	(2,401)	-
Total non-operating income and expenses	65,703	1	(26,310)	(1)
PROFIT BEFORE INCOME TAX	1,004,496	18	651,896	14
INCOME TAX EXPENSE (Notes 4 and 22)	262,287	5	145,226	3
NET PROFIT FOR THE YEAR	742,209	13	506,670	11
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	(7,238)	-	(7,358)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	4,484	-	1,251	-

(Continued)

LUMAX INTERNATIONAL CORP., LTD. 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**	**%**
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	$ (4,486)	-	$ (122,236)	(3)
Other comprehensive income (loss) for the year, net of income tax	(7,240)	-	(128,343)	(3)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	$ 734,969	13	$ 378,327	8
EARNINGS PER SHARE (Note 23)				
Basic	$ 6.95		$ 4.47	
Diluted	$ 6.87		$ 4.42	

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

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

			Retained Earnings			Other Equity		
	Common Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income	Total Equity
BALANCE AT JANUARY 1, 2017	$ 1,187,109	$ 110,891	$ 708,243	$ 31,819	$ 2,192,155	$ 29,232	$ -	$ 4,259,449
Appropriation of 2016 earnings								
Legal reserve	-	-	51,580	-	(51,580)	-	-	-
Cash dividends - NT$2 per share	-	-	-	-	(237,422)	-	-	(237,422)
Capital reduction by cash	(118,711)	-	-	-	-	-	-	(118,711)
Net profit for the year ended December 31, 2017	-	-	-	-	506,670	-	-	506,670
Other comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	(6,107)	(122,236)	-	(128,343)
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	500,563	(122,236)	-	378,327
BALANCE AT DECEMBER 31, 2017	1,068,398	110,891	759,823	31,819	2,403,716	(93,004)	-	4,281,643
Effect of retrospective application	-	-	-	-	(131,865)	-	(14,043)	(145,908)
BALANCE AT JANUARY 1, 2018 AS RESTATED	1,068,398	110,891	759,823	31,819	2,271,851	(93,004)	(14,043)	4,135,735
Appropriation of 2017 earnings								
Legal reserve	-	-	50,667	-	(50,667)	-	-	-
Special reserve	-	-	-	61,185	(61,185)	-	-	-
Cash dividends - NT$3.3 per share	-	-	-	-	(352,571)	-	-	(352,571)
Net profit for the year ended December 31, 2018	-	-	-	-	742,209	-	-	742,209
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(2,754)	(4,486)	-	(7,240)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	739,455	(4,486)	-	734,969
BALANCE AT DECEMBER 31, 2018	$ 1,068,398	$ 110,891	$ 810,490	$ 93,004	$ 2,546,883	$ (97,490)	$ (14,043)	$ 4,518,133

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

LUMAX INTERNATIONAL CORP., LTD. 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	$ 1,004,496	$ 651,896
Adjustments for:		
Depreciation expenses	35,831	31,233
Amortization expenses	2,624	3,042
Expected credit gain reversed on trade receivables	(3,166)	-
Impairment loss recognized on trade receivables	-	17,604
Finance costs	2,049	2,401
Interest income	(35,977)	(22,693)
(Gain) loss on disposal of property, plant and equipment	(24)	302
Impairment loss recognized on financial assets measured at cost	-	14,032
Reversal of write-downs of inventories	(37,137)	(5,314)
Net (gain) loss on foreign currency exchange	(38,208)	15,779
Changes in operating assets and liabilities		
Contract assets	(127,514)	-
Notes receivable	(95,565)	37,409
Trade receivables	(151,861)	(57,827)
Other receivables	17,247	15,505
Inventories	(187,038)	(195,791)
Other current assets	(13,053)	(4,792)
Contract liabilities	434,038	-
Notes payable	4,407	(4,150)
Trade payables	16,062	40,742
Other payables	55,160	(3,122)
Advance receipts	-	267,250
Finance lease payables	(511)	(493)
Other current liabilities	(4,331)	(1,180)
Net defined benefit liabilities	(11,015)	(10,713)
Cash generated from operations	866,514	791,120
Interest received	39,456	23,388
Interest paid	(2,049)	(2,638)
Income tax paid	(300,776)	(145,698)
Net cash generated from operating activities	603,145	666,172
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at amortized cost	367,987	-
Purchase of financial assets at fair value through other comprehensive income	(2,605)	-
Purchase of debt investments with no active market	-	(545,479)
Purchase of financial assets measured at cost	-	(4,032)
Payments for property, plant and equipment	(20,129)	(103,040)
Proceeds from disposal of property, plant and equipment	3,398	46
Increase in refundable deposits	-	(446)
Decrease in refundable deposits	595	-

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LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

	2018	2017
Payments for intangible assets	$ (1,949)	$ (1,455)
Increase in prepayments for equipment	(34,199)	(3,095)
Net cash generated from (used in) investing activities	313,098	(657,501)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of long-term borrowings	(20,540)	(20,204)
Refund of guarantee deposits received	(84)	(265)
Cash dividends paid	(352,571)	(237,422)
Capital reduction by cash	-	(118,711)
Net cash used in financing activities	(373,195)	(376,602)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	5,036	(47,236)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	548,084	(415,167)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	935,283	1,350,450
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 1,483,367	$ 935,283

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

1. GENERAL INFORMATION

Lumax International Corp., Ltd. (the Company) was incorporated in the Republic of China (ROC) on August 16, 1975, under the Company Law of the ROC and related laws. The Company's stock was traded on the Taipei Exchange (TPEx) since November 11, 2002. Afterward, the Company's stock has been listed on the Taiwan Stock Exchange since September 27, 2004. The Company is primarily engaged in the trading of electronic components and process control equipment, integration of process control system and providing related maintenance services.

The consolidated financial statements are presented in the Company's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on March 22, 2019.

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

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

Except for the following, 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 did not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments" and related amendments

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

<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.

	Measurement Category		Carrying Amount		
Financial Assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**	**Remark**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 935,283	$ 935,283	
Debt investments with no active market - current	Loans and receivables	Amortized cost	$ 1,568,073	$ 1,568,073	(a)
Notes receivable, trade receivables, other receivables and refundable deposits	Loans and receivables	Amortized cost	$ 1,307,412	$ 1,307,412	(b)
Financial assets measured at cost - non-current	Available-for-sale	Fair value through other comprehensive income	$ 12,662	$ 12,662	(c)

Financial Assets	**IAS 39 Carrying Amount as of January 1, 2018**	**Reclassific-ations**	**IFRS 9 Carrying Amount as of January 1, 2018**	**Retained Earnings Effect on January 1, 2018**	**Other Equity Effect on January 1, 2018**	**Remark**
Fair value through other comprehensive income	$ -	$ 12,662	$ 12,662	$ 14,043	$ (14,043)	(c)
Available-for-sale	$ 12,662	$ (12,662)	$ -			

a) Time deposits with original maturity of more than 3 months and pledge deposits that were 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.

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

c) The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $14,043 thousand in carrying amount of other equity - unrealized gain (loss) on financial assets at FVTOCI and an increase of $14,043 thousand in retained earnings on January 1, 2018.

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

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

Input methods recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. When a cost incurred is not proportionate to the entity's progress in satisfying the performance obligation. In those circumstances, the best depiction of the entity's performance may be to adjust the input method to recognize revenue only to the extent of that cost method. Currently, revenue and costs are recognized by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred to date relative to the estimated total contract cost under IAS 18.

Under IFRS 15, the net effect of revenue recognized and consideration received and receivable is recognized as a contract asset or a contract liability. Currently, the receivable is recognized or the deferred revenue is reduced when revenue is recognized for the contract under IAS 18.

If a contract with a customer becomes onerous, the Group will recognize impairment of related inventories or provisions for onerous contracts. Currently, the expected loss on construction contracts is recognized and adjusted to amounts due from (to) customers for construction contracts.

The Group elects to retrospectively apply IFRS 15 to contracts that are not complete on January 1, 2018 and recognize the cumulative effect of the change in retained earnings on January 1, 2018.

The impact on assets, liabilities and equity as of January 1, 2018 from the initial application of IFRS 15 is set out below:

	As Originally Stated	**Adjustments Arising from Initial Application**	**Restated**
Contract assets	$ -	$ 148,466	$ 148,466
Trade receivables	1,087,839	(216,654)	871,185
Deferred tax assets	34,907	29,885	64,792
Total effect on assets	$ 1,122,746	$ (38,303)	$ 1,084,443
Contract liabilities	$ -	$ 1,206,858	$ 1,206,858
Trade payables	382,819	(11,621)	371,198
Provisions	-	10,167	10,167
Advance receipts	1,097,799	(1,097,799)	-
Total effect on liabilities	$ 1,480,618	$ 107,605	$ 1,588,223
Retained earnings		$ (145,908)	

Had the Group applied IAS 18 in the current year, the following adjustments should be made to reflect the line items and balances under IAS 18.

Impact on assets, liabilities and equity for current year

	December 31, 2018
Decrease in contract assets	$ (275,557)
Increase in trade receivables	363,878
Decrease in deferred tax assets	(5,069)
Increase in assets	$ 83,252
Decrease in contract liabilities	$ (1,646,273)
Increase in current tax liabilities	12,595
Increase in advance receipts	1,646,273
Increase in liabilities	$ 12,595
Increase in retained earnings	$ 70,657

Impact on total comprehensive income for current year

	For the Year Ended December 31, 2018
Increase (decrease) in operating revenue	$ (87,472)
Increase (decrease) in income tax expense	(17,494)
Increase (decrease) in net profit for the year	(69,978)
Decrease in net profit attributable to:	
Owners of the Company	$ (69,978)
Impact on earnings per share:	
Decrease in basic earnings per share	$ (0.65)
Decrease in diluted earnings per share	$ (0.65)

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The group will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs 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 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease” 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 for all leases 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 interest 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 interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

  The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

  Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at their carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using the aforementioned incremental borrowing rate the Group will apply IAS 36 to all right-of-use assets.

  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 account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

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

     For leases currently classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 will be determined as at the carrying amounts of the respective leased assets and finance lease payables as of December 31, 2018.

The Group as lessor

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
Property, plant and equipment	$ 1,071,646	$ (719)	$ 1,070,927
Right-of-use assets	-	33,160	33,160
Total effect on assets	$ 1,071,646	$ 32,441	$ 1,104,087
Lease liabilities - current	$ -	$ 11,539	$ 11,539
Lease liabilities - non-current	-	22,746	22,746
Finance lease payables - non-current	536	(536)	-
Total effect on liabilities	$ 536	$ 33,749	$ 34,285
Retained earnings		$ (1,309)	

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 the 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 other 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.

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 measurements inputs are observable and the significance of the inputs to the fair value measurement in its entirety. The levels of inputs 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 twelve 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 twelve months after the reporting period.

Current liabilities include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve 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 twelve 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 subsidiaries controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 13, Tables 5 and 6 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group foreign operations (including of the subsidiaries in other countries or currencies used different with the Company) 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.

f. Inventories

Inventories 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. 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.

g. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation 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.

h. Investment property

Investment property is property held to earn rentals and/or for capital appreciation. Investment property also includes land held for a currently undetermined future use.

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation. Depreciation is recognized using the straight-line method.

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. Impairment of tangible and intangible assets

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 an 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.

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

j. 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.

<u>Financial assets</u>

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

1) Measurement category

<u>2018</u>

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

a) Financial assets at amortized cost

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

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

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) 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: Available-for-sale financial assets and loans and receivables.

a) Available-for-sale financial assets

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

b) Loans and receivables

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

2) 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) as well as contract assets.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade 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.

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.

2017

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

For financial assets carried at amortized cost, such as trade receivables, assets 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 of collecting payments and aging analysis.

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

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

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

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

3) 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and any associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 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.

Equity instruments

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

Financial liabilities

1) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

2) Derecognition of financial liabilities

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

k. Revenue recognition

2018

The 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 wholesaling of electronic components. Sales of wholesaling of electronic components are recognized as revenue when the goods are delivered to the customer's specific location. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from the integrated maintenance services of process-control devices or system.

In the process of providing labor services, the cost of performance is directly related to the completion of the performance obligation. The Group measures the completion progress based on the actual input cost to the expected total cost. The Group gradually recognizes contract assets when providing labor services, and it converts contract assets into accounts receivable when rendering the bill. If the Group has already received project funds that exceed the amount of revenue recognized, the difference is recognized as contract liabilities.

2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time 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.

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

The completion of the contract is measured based on the proportion of contract costs incurred to date relative to the estimated total contract costs.

l. 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.

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 an expense on a straight-line basis over the lease term.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, lease interest of land under operating leases is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

m. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost, and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which 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 liability represents the actual deficit in the Group's defined benefit plan.

n. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the 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 generally recognized for all taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the 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.

a. Revenue from the rendering of services measured at the percentage of completion method

The revenue from the rendering of services is recognized at the percentage of completion method, which is determined by the ratio of actual to projected input costs. Management assures that the best estimate has been adopted, and the revenue recognized in the current period should be appropriate.

b. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables is based on the assumptions of default risk and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 11. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Impairment of merchandise inventory

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash on hand	$ 1,214	$ 902
Checking accounts and demand deposits	910,175	825,581
Cash equivalent (investment with original maturities less than three months)		
Time deposits	571,978	108,800
	$ 1,483,367	$ 935,283

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

	December 31	
	2018	**2017**
Bank deposits (%)	0.01-3.30	0.01-1.70

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – 2018

Investments in equity instruments

	December 31, 2018
Non-current	
Domestic unlisted common stock	$ 9,267
Domestic unlisted preference stock	6,000
	$ 15,267

The Group elected to designate these investments in equity instruments at FVTOCI. These investments in equity instruments were classified as available-for-sale under IAS 39. Refer to Notes 3 and 8 for information relating to their reclassification and comparative information for 2017.

8. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Non-current	
Domestic unlisted common stock	$ 6,662
Domestic unlisted preference stock	6,000
	$ 12,662
Classified according to financial asset measurement categories	
Available-for-sale financial assets	$ 12,662

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

9. FINANCIAL ASSETS AT AMORTIZED COST – 2018

	December 31, 2018
Current	
Time deposits with original maturity of more than 3 months	$ 1,231,495
Pledge deposits	8,969
	$ 1,240,464
Rate intervals (%)	0.30-3.47

a. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Notes 3 and 10 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 27 for information relating to financial assets at amortized cost pledged as security.

10. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

	December 31, 2017
Current	
Time deposits with original maturity of more than 3 months	$ 1,552,675
Pledge deposits	15,398
	$ 1,568,073
Rate intervals (%)	0.30-2.75

Refer to Note 27 for information relating to debt investments with no active market pledged as security.

11. TRADE RECEIVABLES

	December 31	
	2018	2017
At amortized cost		
Gross carrying amount	$ 1,084,629	$ 1,159,236
Less: Factored trade receivable	(19,593)	(30,916)
Less: Allowance for impairment loss	(39,928)	(40,481)
	$ 1,025,108	$ 1,087,839

The Group signed the agreements of factoring without recourse with financial institutions. For the information about the transfer of financial instruments, refer to Note 25 (c) 4.

In 2018

The average credit period for sales of goods is 90 to 120 days, and no interest is charged on accounts receivable.

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 based on the customer's past default experience and collection experience, and the provision for loss allowance is determined by past due status.

The following table details the group's loss allowance of trade receivables:

December 31, 2018

	Not Past Due	1-180 days	Over 180 days	Other	Total
Expected credit loss rate	0%-1.74%	0.01%-1.74%	0.01%-50%	100%	
Gross carrying amount	$ 900,509	$ 113,551	$ 28,336	$ 22,640	$ 1,065,036
Loss allowance (Lifetime ECL)	(3,904)	(308)	(13,076)	(22,640)	(39,928)
Amortized cost	$ 896,605	$ 113,243	$ 15,260	$ -	$ 1,025,108

The movements of the loss allowance of trade receivables were as follows:

	2018
Balance at January 1, 2018	$ 62,964
Less: Net remeasurement of loss allowance	(3,166)
Foreign exchange gains and losses	(169)
Balance at December 31, 2018	$ 59,629

As of December 31, 2018, the amount of individually impaired trade receivables was $19,701 thousand. The Group did not hold any collateral over these balances.

The amount recognized impairment loss above has been reclassified as overdue receivable.

In 2017

The Group applied the same credit policy in 2018 and 2017. In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the accounts receivable from the date when credit was initially granted up to the balance sheet date. Allowances for doubtful amounts are based on estimated irrecoverable amounts determined by referring to the counterparty's past default experience of the counterparty's current financial position. For the trade receivables balances that were past due for more than 180 days, unless specific reasons disagree, the Group will recognize an allowance for impairment loss amounted at 50%.

For the trade receivables 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 not a significant change in credit quality and the amounts 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 overdue	$ 918,176
Less than 120 days	170,561
121-180 days	838
Over 180 days	38,745
	$ 1,128,320

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

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

	December 31, 2017
Less than 120 days	$ 26,408
121-180 days	274
Over 180 days	1,851
	$ 28,533

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

The movements of the allowance for doubtful trade receivables (including overdue receivables) were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2017	$ 28,923	$ 16,848	$ 45,771
Add: Impairment losses recognized (reversed) on receivables	(6,302)	23,906	17,604
Foreign exchange translation gains and losses	(138)	(273)	(411)
Balance at December 31, 2017	$ 22,483	$ 40,481	$ 62,964

As of December 31, 2017, the amount of individually impaired trade receivables was $22,483 thousand. The Group did not hold any collateral over these balances.

The amount recognized impairment loss above has been reclassified as overdue receivable.

12. INVENTORIES

	December 31	
	2018	2017
Merchandise	$ 651,751	$ 536,515
Other Inventories	1,165,087	1,057,227
	$ 1,816,838	$ 1,593,742

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was $3,928,612 thousand and $3,197,009 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 included reversals of inventory write-downs of $37,137 thousand and $5,314 thousand, respectively.

13. SUBSIDIARIES

a. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2018	% of Ownership December 31 2017	Note
The Company	Lumax International Ltd. (Lumax BVI)	International trade, transit trade, warehousing, and processing	100.00	100.00	-
The Company and Lumax BVI	Zennor Ltd. (Zennor)	International trade, transit trade, warehousing, and processing	100.00	100.00	-
Lumax BVI	Dalian Ftz Lumax International Trade Co., Ltd. (Dalian Lumax)	a) Import and export business b) Dealership and agency service quotations and tenders of products or services of companies in the bonded area c) Planning and application of computer software programs	100.00	100.00	-
	Wimax Hi-Tech (Shen Zhen) Co., Ltd. (Wimax)	Producing new styles of insulating materials, power supplies and computer connectors with thermostat and bearing high pressure	100.00	100.00	-

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2018	% of Ownership December 31 2017	Note
	Zmax Hi-Tech (Su Zhou) Co., Ltd. (Zmax)	To process H.F. level of thermostable insulating materials, thermal transfer materials, tape materials, LCD and etc. sale of products produced by the Company, install and maintain valves and calibration instruments.	100.00	100.00	-
Zennor	Dalian Ftz Zennor International Industry & Trade Co., Ltd. (Dalian Zennor)	International trade, transit trade, processing, merchandise show and consulting services	100.00	100.00	-
Zennor and Dalian Lumax	Lumax International (Shanghai) Co., Ltd. (Lumax Shanghai)	To manufacture and design computer system, instruments, measuring appliance industry automation instruments and sale of products made by the Company	100.00	100.00	-
Dalian Zennor	Dalian Chuangzhan Mechanical and Electrical Equipment Maintenance Services Limited (Dalian Chuangzhan)	The installation of mechanical and electrical equipment, on-site maintenance; sales, import and export of goods, technology import and export, instrument sales; assembly, repair and instrument calibration of mechanical/electrical products	100.00	100.00	-

(Concluded)

b. Subsidiaries excluded from consolidated financial statements: None.

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery and Equipment	Transportation Equipment	Office Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2017	$ 362,237	$ 664,093	$ 75,495	$ 52,065	$ 42,834	$ 11,387	$ 30,585	$ 1,238,696
Additions	-	97,445	606	4,509	460	-	20	103,040
Disposals	-	-	(258)	(1,924)	(2,031)	-	(4,988)	(9,201)
Reclassification	-	-	4,905	-	-	-	15,347	20,252
Effect of foreign currency exchange differences	-	235	(214)	(172)	(119)	(128)	(302)	(700)
Balance at December 31, 2017	$ 362,237	$ 761,773	$ 80,534	$ 54,478	$ 41,144	$ 11,259	$ 40,662	$ 1,352,087
Accumulated depreciation								
Balance at January 1, 2017	$ -	$ 115,751	$ 56,112	$ 35,125	$ 34,942	$ 10,061	$ 22,371	$ 274,362
Disposals	-	-	(258)	(1,902)	(1,903)	-	(4,790)	(8,853)
Depreciation expense	-	12,727	5,212	5,549	2,637	505	2,122	28,752
Effect of foreign currency exchange differences	-	(258)	(107)	(149)	(102)	(107)	(239)	(962)
Balance at December 31, 2017	$ -	$ 128,220	$ 60,959	$ 38,623	$ 35,574	$ 10,459	$ 19,464	$ 293,299
Carrying amount at December 31, 2017	$ 362,237	$ 633,553	$ 19,575	$ 15,855	$ 5,570	$ 800	$ 21,198	$ 1,058,788
Cost								
Balance at January 1, 2018	$ 362,237	$ 761,773	$ 80,534	$ 54,478	$ 41,144	$ 11,259	$ 40,662	$ 1,352,087
Additions	-	1,140	6,220	3,671	1,064	3,634	4,400	20,129
Disposals	-	-	(10,558)	(758)	(1,046)	(7,421)	-	(19,783)
Reclassification	3,773	12,964	5,574	1,264	-	-	9,402	32,977
Effect of foreign currency exchange differences	-	(3,732)	(308)	(363)	(190)	(166)	(394)	(5,153)
Balance at December 31, 2018	$ 366,010	$ 772,145	$ 81,462	$ 58,292	$ 40,972	$ 7,306	$ 54,070	$ 1,380,257
Accumulated depreciation								
Balance at January 1, 2018	$ -	$ 128,220	$ 60,959	$ 38,623	$ 35,574	$ 10,459	$ 19,464	$ 293,299
Disposals	-	-	(7,221)	(721)	(1,046)	(7,421)	-	(16,409)
Depreciation expense	-	16,653	5,810	5,426	2,311	570	2,580	33,350
Effect of foreign currency exchange differences	-	(655)	(170)	(275)	(153)	(99)	(277)	(1,629)
Balance at December 31, 2018	$ -	$ 144,218	$ 59,378	$ 43,053	$ 36,686	$ 3,509	$ 21,767	$ 308,611
Carrying amount at December 31, 2018	$ 366,010	$ 627,927	$ 22,084	$ 15,239	$ 4,286	$ 3,797	$ 32,303	$ 1,071,646

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

Building	
Main buildings	55 years
Building improvements	5-10 years
Machinery and equipment	3-5 years
Transportation equipment	5 years
Office equipment	5 years
Leasehold improvements	5-15 years
Other equipment	5-20 years

Refer to Note 27 for the carrying amount of property, plant and equipment pledged by the Group to secure borrowings granted to the Group.

15. INVESTMENT PROPERTY

	December 31	
	2018	**2017**
Completed investment property	$ 113,084	$ 115,565

The investment property held by the Group are depreciated over their estimated useful lives using the straight-line method as follows:

Main buildings	55 years
Building improvements	5-10 years

The fair value of the Group's investment property for the years ended December 31, 2018 and 2017 was $449,371 thousand and $502,238 thousand, respectively. The fair value was evaluated without independent evaluators. The valuation was arrived at by reference to the market evidence of transaction prices for similar properties.

All of the Group's investment property was held under freehold interests. The carrying amount of investment property pledged by the Group to secure borrowings granted to the Group was reflected in Note 27.

16. BORROWINGS

	December 31	
	2018	**2017**
Secured borrowings (Note 27)	$ 109,851	$ 130,391
Less: Current portion	(20,885)	(20,540)
	$ 88,966	$ 109,851
Interest rate (%)	1.66	1.66
Due date	2024.1.17	2024.1.17

17. OTHER PAYABLES

	December 31	
	2018	2017
Salaries and bonus	$ 139,657	$ 106,014
Employee compensation and remuneration to directors and supervisors	70,309	60,616
Others	53,837	42,440
	$ 263,803	$ 209,070

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Company of the Group 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.

The employees of the Group's subsidiaries in the People's Republic of China are members of a state-managed retirement benefit plan operated by the government of People's Republic of China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plan adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 10% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the Bureau); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of defined benefit obligation	$ 268,198	$ 253,728
Fair value of plan assets	(149,059)	(130,812)
Net defined benefit liability	$ 119,139	$ 122,916

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2017	$ 247,472	$ (121,201)	$ 126,271
Service cost			
Current service cost	1,551	-	1,551
Net interest expense (income)	2,784	(1,441)	1,343
Recognized in profit or loss	4,335	(1,441)	2,894
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	$ -	$ 237	$ 237
Actuarial loss - changes in demographic assumptions	4,742	-	4,742
Actuarial loss - experience adjustments	2,379	-	2,379
Recognized in other comprehensive income	7,121	237	7,358
Contributions from the employer	-	(13,607)	(13,607)
Benefits paid	(5,200)	5,200	-
Balance at December 31, 2017	253,728	(130,812)	122,916
Service cost			
Current service cost	1,292	-	1,292
Net interest expense (income)	2,851	(1,545)	1,306
Recognized in profit or loss	4,143	(1,545)	2,598
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(3,705)	(3,705)
Actuarial loss - changes in demographic assumptions	4,048	-	4,048
Actuarial loss - changes in financial assumptions	2,826	-	2,826
Actuarial loss - experience adjustments	4,069	-	4,069
Recognized in other comprehensive income	10,943	(3,705)	7,238
Contributions from the employer	-	(13,613)	(13,613)
Benefits paid	(616)	616	-
Balance at December 31, 2018	$ 268,198	$ (149,059)	$ 119,139

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

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2018	**2017**
Discount rates(s)	1.00%	1.125%
Expected rates of salary increase	2.50%	2.500%

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

	December 31	
	2018	**2017**
Discount rate(s)		
0.25% increase	$ (5,702)	$ (5,613)
0.25% decrease	$ 5,900	$ 5,813
Expected rate(s) of salary increase		
0.25% increase	$ 5,716	$ 5,639
0.25% decrease	$ (5,555)	$ (5,475)

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**
The expected contributions to the plan for the next year	$ 13,640	$ 13,680
The average duration of the defined benefit obligation	8.6 years	9.0 years

19. EQUITY

a. Common stock

	December 31	
	2018	**2017**
Number of stocks authorized (in thousands)	120,000	120,000
Stocks authorized	$ 1,200,000	$ 1,200,000
Number of stocks issued and fully paid (in thousands)	106,840	106,840
Stocks issued	$ 1,068,398	$ 1,068,398

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

To adjust the Company's capital structure and improve the return on equity, the stockholders in their meeting approved a 10% reduction of capital for cash on June 22, 2017. The amount of reduction was $118,711 thousand for 11,871 thousand shares.

b. Capital surplus

The capital surplus arising from stock issued in excess of par may be distributed as cash dividends or transferred to capital stock (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend 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 of 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 21 (e).

The Company's dividend policy was considered with the current and future development plans, squaring up with investment environment, demanding of funds and competition both at home and abroad. Thus, the Company adopts dividend distribution policy whereby only surplus profits of the Company shall be distributed to stockholders.

In the distribution of earnings, the Company's net income is the top priority consideration. Under the balance dividend policy, prior years' unappropriated earnings will be used when current net income is not enough for distribution. The Company considers the operating scope and capital needs in dividend distribution. However, the amount of cash dividends should not be less than 20% of the total dividends to be distributed in a current year.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. 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.

Under Order No. 1010012865 and Order No. 1010047490 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses and thereafter distributed.

The appropriations of earnings for 2017 and 2016 have been approved in the stockholders' meeting on June 26, 2018 and June 22, 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	$ 50,667	$ 51,580		
Special reserve	61,185	-		
Cash dividend	352,571	237,422	$ 3.3	$ 2.0

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

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 74,221	
Special reserve	18,529	
Cash dividends	352,571	$3.3

The appropriations of earnings for 2018 are subject to the resolution of the stockholders meeting to be held on June 25, 2019.

20. REVENUE

	For the Year Ended December 31	
	2018	2017
Revenue from contracts with customers		
Revenue from sale of goods	$ 3,639,772	$ 3,837,259
Revenue from rendering of services	2,087,172	794,669
	$ 5,726,944	$ 4,631,928

a. Contract information

1) Revenue from sale of goods

Revenue from the sale of goods comes from wholesaling of electronic components. Sales from wholesaling of electronic components are recognized as revenue when the goods are delivered to the customer's specific location. When the customer initially purchases the goods, the transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Revenue from rendering of services

Revenue from the rendering of services comes from the integrated maintenance services of process-control devices or system.

In the process of providing labor services, the cost of performance is directly related to the completion of the performance obligation. The Company measures the completion progress based on the actual input cost to the expected total cost. The Company gradually recognizes contract assets when providing labor services, and it converts contract assets into accounts receivable when rendering the bill. If the Company has already received project funds that exceed the amount of revenue recognized, the difference is recognized as contract liabilities.

b. Contact balances

	December 31, 2018
Trade receivables (Note 11)	$ 1,025,108
Contract assets	
Rendering of services	$ 275,557
Less: Allowance for impairment loss	-
	$ 275,557
Contract liabilities	
Sale of goods	$ 1,494,415
Rendering of services	151,858
	$ 1,646,273

c. Disaggregation of revenue

Refer to Note 31 for information about disaggregation of revenue.

21. NET PROFIT AND OTHER COMPREHENSIVE INCOME PROFIT BEFORE INCOME TAX

Net profit for the year was as follows:

a. Other income

	For the Year Ended December 31	
	2018	2017
Interest income	$ 35,977	$ 22,693
Rental income	6,525	4,278
Others	4,482	5,335
	$ 46,984	$ 32,306

b. Other gains and losses

	For the Year Ended December 31	
	2018	2017
Net foreign exchange gains (losses)	$ 26,312	$ (27,202)
Impairment loss recognized on financial assets measured at cost	-	(14,032)
Others	(5,544)	(14,981)
	$ 20,768	$ (56,215)

c. Depreciation and amortization

	For the Year Ended December 31	
	2018	2017
Property, plant and equipment	$ 33,350	$ 28,752
Investment property	2,481	2,481
Intangible assets	2,624	3,042
	$ 38,455	$ 34,275
An analysis of depreciation by function		
Operating costs	$ 634	$ 616
Operating expenses	35,197	30,617
	$ 35,831	$ 31,233
An analysis of amortization by function		
Operating expenses	$ 2,624	$ 3,042

d. Employee benefits expense

	For the Year Ended December 31	
	2018	2017
Short-term benefits	$ 555,882	$ 478,568
Post-employment benefits (see Note 18)		
Defined contribution plans	15,054	13,802
Defined benefit plans	2,598	2,894
Other employee benefits	78,271	65,780
	$ 651,805	$ 561,044
An analysis of employee benefits expense by function		
Operating costs	$ 59,779	$ 60,306
Operating expenses	592,026	500,738
	$ 651,805	$ 561,044

e. Employees' compensation and remuneration to directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2018 and 2017, which were approved by the Company's board of directors on March 22, 2019 and March 23, 2018, respectively, are as follows:

Accrual rate

	For the Year Ended December 31	
	2018	2017
Employees' compensation	6%	8%
Remuneration to directors and supervisors	1%	1%

Amount

	For the Year Ended December 31			
	2018		2017	
	Cash	Stock	Cash	Stock
Employees' compensation	$ 60,000	$ -	$ 53,795	$ -
Remuneration to directors and supervisors	10,309	-	6,821	-

If there is a change in the amounts after the annual consolidated financial statements being authorized for issue, the difference will be recorded as a change in the accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration to 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 to 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.

22. 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	$ 143,874	$ 275,113
Income tax on unappropriated earnings	3,614	21,661
Adjustments for prior years	1,275	875
Deferred tax		
In respect of the current year	86,634	(152,423)
Adjustments to deferred tax attributable to changes in tax rates and laws	26,890	-
Income tax expense recognized in profit or loss	$ 262,287	$ 145,226

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

	For the Year Ended December 31	
	2018	2017
Profit before tax	$1,004,496	$ 651,896
Income tax expense calculated at the statutory rate	$ 230,508	$ 137,955
Effect of tax rate changes	26,890	-
Income tax on unappropriated earnings	3,614	21,661
Foreign tax credit	-	(15,265)
Adjustments for prior years' tax	1,275	875
Income tax expense recognized in profit or loss	$ 262,287	$ 145,226

In 2017, the applicable corporate income tax rate used by the group entities in the ROC was 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2019 appropriations of earnings is uncertain, the potential income tax consequences of 2018 unappropriated earnings are not reliably determinable.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Adjustments Arising from Initial Application (IFRS 15)	Closing Balance
Deferred tax assets					
Defined benefit obligation	$ 15,076	$ (2,626)	$ 4,484	$ -	$ 16,934
Loss on inventories	9,911	(3,791)	-	-	6,120
Others	9,920	(27,325)	-	28,072	10,667
	$ 34,907	$ (33,742)	$ 4,484	$ 28,072	$ 33,721
Deferred tax liabilities					
Investment income recognized under equity method	$ 199,965	$ 74,140	$ -	$ (1,813)	$ 272,292
Others	-	5,642	-	-	5,642
	$ 199,965	$ 79,782	$ -	$ (1,813)	$ 277,934

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Adjustments Arising from Initial Application (IFRS 15)	Closing Balance
Deferred tax assets					
Defined benefit obligation	$ 15,688	$ (1,863)	$ 1,251	$ -	$ 15,076
Loss on inventories	14,280	(4,369)	-	-	9,911
Others	5,217	4,703	-	-	9,920
	$ 35,185	$ (1,529)	$ 1,251	$ -	$ 34,907
Deferred tax liabilities					
Investment income recognized under equity method	$ 353,917	$ (153,952)	$ -	$ -	$ 199,965

c. Income tax assessments

Income tax returns through 2016 had been examined and cleared by the tax authorities.

23. EARNINGS PER SHARE

The earnings and weighted average number of common stock outstanding in the computation of earnings per share were as follows:

Net Profit for the Year

	For the Year Ended December 31	
	2018	**2017**
Earnings used in the computation of basic/diluted earnings per share	$ 742,209	$ 506,670

Weighted-average Number of Common Stocks Outstanding (In Thousand Shares)

	For the Year Ended December 31	
	2018	**2017**
Weighted average number of common stock in computation of basic earnings per share	106,840	113,377
Effect of potentially dilutive common stock:		
Employees' compensation or bonus issue to employees	1,165	1,176
Weighted average number of common stock used in the computation of diluted earnings per share	108,005	114,553

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

24. 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 stockholders through the optimization of the debt and equity balance. The Group's capital management aims to maintain the sufficiency of financial resources and the soundness of operating strategies to meet the needs for operating capital, capital expenditure, R & D expenses, debt handling, dividend disbursement, etc.

The capital structure of the Group consists of equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

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

25. FINANCIAL INSTRUMENTS

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

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

b. Categories of financial instruments

	December 31	
	2018	**2017**
Financial assets		
Loans and receivables (1)	$ -	$ 3,799,200
Available-for-sale financial assets (2)	-	12,662
Financial assets at amortized cost (3)	4,315,360	-
Financial assets at FVTOCI	15,267	-
Financial liabilities		
Amortized cost (4)	792,644	749,086

1) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, notes receivable, trade and other receivables and refundable deposits.

2) The balances included the carrying amount of available-for-sale financial assets measured at cost.

3) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, contract assets, notes receivable, trade and other receivables and refundable deposits.

4) The balances included financial liabilities measured at amortized cost, which comprise notes payable, trade and other payables, current portion of long-term borrowings, long-term loans and guarantee deposits.

c. Financial risk management objectives and policies

The Group's major financial instruments include cash and cash equivalents, financial assets at amortized cost, financial assets at FVTOCI, notes receivable, trade receivables, notes payable, trade payables, and long-term borrowings. The Group's financial risk management pertains to financial risks relating to the operations of the Group, including currency risk, interest rate risk, credit risk and liquidity risk.

1) Market risk

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

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

a) Foreign currency risk

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

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) are set out in Note 29.

Sensitivity analysis

The Group was mainly exposed to USD.

The Group's sensitivity to a 5% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

A positive number below indicates an increase in pre-tax profit associated with New Taiwan dollars strengthen 5% against the relevant currency. For a 5% weakening of New Taiwan dollars against the relevant currency, pre-tax profits would have decreased/increased by $58,560 thousand and $69,960 thousand for the years ended December 31, 2018 and 2017, respectively.

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. 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 financial assets and liabilities exposed to interest rates were as follows:

	December 31	
	2018	**2017**
Fair value interest rate risk		
Financial assets	$ 1,812,442	$ 1,676,873
Cash flow interest rate risk		
Financial assets	908,876	835,546
Financial liabilities	109,851	130,391

Sensitivity analysis

The sensitivity analyses below have been determined on the basis of the exposure to interest rates for non-derivative instruments at balance sheet dates. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the balance sheet dates outstanding for the entire period. A 50 basis point increase or decrease is 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 50 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 increase/decrease by $3,995 thousand and $3,526 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable rate deposits and bank loans.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to 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 did transactions with a large number of unrelated customers and, thus, no concentration of credit risk was observed.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents 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. As of December 31, 2018 and 2017, the Group's unused bank credit lines in bank were $802,813 thousand and $829,930 thousand, respectively.

Liquidity and interest risk tables for non-derivative financial liabilities

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

December 31, 2018

	Within 1 Year	**Over 1 Year to 5 Years**	**More Than 5 Years**
Non-derivative financial liabilities			
Long-term debt	$ 22,549	$ 90,198	$ 1,879

December 31, 2017

	Within 1 Year	**Over 1 Year to 5 Years**	**More Than 5 Years**
Non-derivative financial liabilities			
Long-term debt	$ 22,549	$ 90,198	$ 24,465

4) Transfers of financial assets

Factored trade receivables for the years ended December 31, 2018 and 2017 were as follows:

Counterparties	Receivables Sold	Amounts Collected	Advances Received at Year-end	Interest Rates on Advances Received (%)	Credit Line
2018					
First Commercial Bank	$ 17,632	$ 19,115	$ -	-	$ 18,429
SinoPac Bank	95,707	97,892	-	-	49,144
TC Bank	-	8,024	-	-	20,000
	$ 113,339	$ 125,031	$ -		$ 87,573
2017					
First Commercial Bank	$ 21,805	$ 23,494	$ -	-	$ 17,856
SinoPac Bank	84,014	83,153	-	-	47,616
TC Bank	21,525	25,500	-	-	20,000
	$ 127,344	$ 132,147	$ -		$ 85,472

The above credit lines may be used on a revolving basis.

26. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, 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 parties and their relationships with the Company:

Related Party	Relationship with the Company
Chunghang Investment Ltd.	Other related parties
Huii Investment Ltd.	Other related parties
Lushun Investment Ltd.	Other related parties

b. Rental revenue:

Related Party Categories	For the Year Ended December 31 2018	2017
Other related parties	$ 54	$ 47

The rent is determined according to market conditions and charged monthly.

c. Compensation of key management personnel:

	For the Year Ended December 31	
	2018	2017
Short-term employee benefits	$ 86,435	$ 77,211
Post-employment benefits	5,476	5,146
Other long-term employee benefits	1,658	1,773
	$ 93,569	$ 84,130

The remuneration of directors and key executives is determined by the remuneration committee on the basis of the performance of individuals and market trends.

27. ASSETS PLEDGED

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees:

	December 31	
	2018	2017
Property, plant and equipment	$ 350,266	$ 354,566
Investment property	113,084	115,565
Pledge deposits (classified as Financial assets at amortized cost - current)	8,969	-
Pledge deposits (classified as debt investments with no active market - current)	-	15,398
Restricted deposits (classified as other receivables)	-	11,568
	$ 472,319	$ 497,097

28. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2018 and 2017 were as follows:

a. As of December 31, 2018 and 2017, the Group issued refundable guarantee bills, and guarantee letters of credit in the amounts of $464,837 thousand and $735,220 thousand, respectively, as guarantees for performance of purchases or sales.

b. The dispute between the Company and CPC Corporation, Taiwan (CPC) about the power outages on August 15, 2017 in Taoyuan has had the following developments.

1) No criminal responsibility was raised by the Taoyuan District Prosecutor’s Office on September 21, 2017.

2) The Company received a letter from CPC on August 2, 2018, in response to the loss of the incident proposed to the Company to claim $358,000 thousand. According to the lawyer's letter dated March 4, 2019, the Company is still legally defendable, and the outcome of the case cannot be determined. In addition, the Company cannot make a reliable estimate of the contingent liability, if any, at this time.

c. CPC claimed the Company has violated the relevant provisions of the Government Procurement Act by posting the name of the Company and related circumstances in the Government Procurement Gazette, and the Company shall not bid or act as a target or subcontractor in the case of one year from the day following the publication:

1) The Company filed a complaint with Public Construction Commission (PCC) on July 19, 2018. However, the Company received the rejected judgment of the complaint review for procurement issued by the PCC.

2) The Company filed the revoked judgment on the above mentioned with Taipei High Administrative Court on October 24, 2018. According to the lawyer's letter dated March 4, 2019, because the lawsuit is still under the review of the court, it is currently not possible to assess the results.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2018

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 45,029	30.715 (USD:NTD)	$ 1,383,066
Financial liabilities			
Monetary items			
USD	6,898	30.715 (USD:NTD)	$ 211,862

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 54,364	29.76 (USD:NTD)	$ 1,617,870
Financial liabilities			
Monetary items			
USD	7,348	29.76 (USD:NTD)	$ 218,664

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gain (loss) were gains $26,312 thousand and losses $27,202 thousand, respectively. Because of the wide variety of foreign currencies involved in transactions as well as the functional currencies adopted by subsidiaries of the Company, the foreign exchange gains or losses cannot be disclosed by their impacts to the consolidated financial statements.

30. 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 investment in subsidiaries). (Table 3)

4) Marketable securities acquired and disposed at costs or prices at least NT$300,000 thousand or 20% of the paid-in capital: None

5) Acquisition of individual real estate at costs of at least NT$300,000 thousand or 20% of the paid-in capital: None

6) Disposal of individual real estate at prices of at least NT$300,000 thousand or 20% of the paid-in capital: None

7) Total purchases from or sales to related parties amounting to at least NT$100,000 thousand or 20% of the paid-in capital. (Table 4)

8) Receivables from related parties amounting to at least NT$100,000 thousand or 20% of the paid-in capital: None

9) Information on investees. (Table 5)

10) Other: Intercompany relationships and significant intercompany transactions. (Table 7)

11) Trading in derivative instruments: None

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (Tables 2 and 6):

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.

c) The amount of property transactions and the amount of the resultant gains or losses.

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.

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

31. 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" were as follows:

Process control instrument - department A
Process control system - department B
Telecommunication and linear transmission - department C
Electronics component - department D
Other process control - department CN

a. Segment revenues and results

	Segment Revenue		Segment Income Before Tax	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Department A	$ 1,929,546	$ 1,911,234	$ 591,500	$ 597,082
Department B	1,183,692	758,629	404,781	241,862
Department C	938,640	716,536	44,546	43,132
Department D	755,919	773,315	41,990	40,971
Department CN	1,119,524	691,442	183,274	68,358
Adjustments and eliminations	(200,377)	(219,228)	-	-
Total operating segments	$ 5,726,944	$ 4,631,928	1,266,091	991,405
Management costs and remuneration of directors and supervisors			(327,298)	(313,199)
Non-operating income and expenses			65,703	(26,310)
Income before tax			$ 1,004,496	$ 651,896

The above revenues were generated through transactions with external customers. The inter-segment revenue had been adjusted and eliminated from the consolidated financial statements.

Segment operating income refers to profits earned by each segment, excluding management costs and remuneration of directors and supervisors and non-operating income and expenses. This is the measure reported to the Group's chief operating decision maker to allocate resources to each segment and evaluate its performance.

b. Segment assets

The Group's measure of assets is not provided to the chief operating decision maker; thus, measure of assets is disclosed zero.

c. 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
Process control	$ 4,107,177	$ 3,211,034
Electronics	1,619,767	1,420,894
	$ 5,726,944	$ 4,631,928

d. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from External Customers		Non-current Assets	
	For the Year Ended December 31		December 31	
	2018	2017	2018	2017
Taiwan	$ 3,774,426	$ 3,255,321	$ 1,044,453	$ 1,034,784
China	1,881,133	1,227,596	196,971	197,042
Others	71,385	149,011	6,336	6,139
	$ 5,726,944	$ 4,631,928	$ 1,247,760	$ 1,237,965

Non-current assets exclude financial instruments and deferred tax assets.

TABLE 1

LUMAX INTERNATIONAL CORP., LTD AND SUBSIDIARIES

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

No.	Financing Company Name	Financial Statement Account	Counterparty	Maximum Balance for the Period	Ending Balance	Balance Used	Interest Rate	Financing Provided (Note 3)	Transaction Amount	Reasons for Short-term Financing	Allowance for Bad Debt	Collateral		Financing Limit for Each Borrowing Company (Note 1)	Financing Company's Financing Amount Limits (Note 2)
												Item	Value		
1	Lumax BVI	Other receivable	Zennor	$ 72,825	$ -	$ -	-	b	$ -	Working capital	$ -	-	$ -	$ 828,779 (a)	$ 1,105,038 (a)
2	Dalian Lumax	Other receivable	Wimax	28,116	26,832	26,832	4.75%	b	-	Working capital	-	-	-	319,853 (b)	426,471 (b)
		Other receivable	Zmax	46,860	44,720	44,720	4.75%	b	-	Working capital	-	-	-	319,853 (b)	426,471 (b)
		Other receivable	Lumax Shanghai	20,124	20,124	11,180	4.75%	b	-	Working capital	-	-	-	319,853 (b)	426,471 (b)

Note 1: The financing amounts to any one borrower should not exceed 60% of the net worth.

a. Lumax BVI ($1,381,298 × 60% ＝ $828,779)
b. Dalian Lumax ($533,089 × 60% ＝ $319,853)

Note 2: The financing amounts should not exceed 80% of the net worth.

a. Lumax BVI ($1,381,298 × 80% ＝ $1,105,038)
b. Dalian Lumax ($533,089 × 80% ＝ $426,471)

Note 3: Explanations of financing provided are as follows:

a. For transaction.
b. For short-term financing.

TABLE 2

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Endorser/Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	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	The Company	Lumax BVI	Subsidiary	$ 1,355,440	$ 209,831	$ 129,200	$ 28,913	$ -	2.86	$ 4,518,133	Y	-	-	
		Zennor Ltd	Subsidiary	1,355,440	34,000	17,000	-	-	0.38	4,518,133	Y	-	-	
		Lumax Shanghai	Second-tier subsidiary	1,355,440	79,045	-	-	-	-	4,518,133	Y	-	Y	

Note 1: The financing amounts should not exceed 30% of the Company ($4,518,133 × 30% ＝ $1,355,440) net worth.

Note 2: The financing amounts should not exceed 100% of the Company ($4,518,133 × 100% ＝ $4,518,133) net worth.

TABLE 3

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

Holding Company Name	Marketable Securities Type and Name	Relationship with the Company	Financial Statement Account	December 31, 2018				Note
				Shares (In Thousand Shares)	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
The Company	Stock							
	Prohubs International Corp.	-	Financial assets at fair value through other comprehensive income - non-current	1,820	$ 6,662	6.74	$ 6,662	-
	Powertec Energy Corporation	-	Financial assets at fair value through other comprehensive income - non-current	1,879	2,605	0.14	2,605	-
	Chou Chin Industrial CO., Ltd	-	Financial assets at fair value through other comprehensive income - non-current	-	-	-	-	-
	Preferred stock							
	Ta Shee Golf & Country Club	-	Financial assets at fair value through other comprehensive income - non-current	-	6,000	-	6,000	-

TABLE 4

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
The Company	Dalian Zennor	Second-tier subsidiary	Sales	$ 108,447	3	Note 1	Note 2	Note 1	$ 41,151	6	-

Note 1: The Corporation collected receivables through T/T in 3-6 months after delivery of goods.

Note 2: Sales prices are based on the Corporation's purchasing costs plus reasonable profits.

TABLE 5

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars/U.S. Dollars in Thousands)

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 Thousand Shares)	%	Carrying Amount			
The Company	Lumax BVI	British Virgin Islands	International trade, transit trade, warehousing, and processing	$ 128,148	$ 128,148	3,500	100.00	$ 1,381,298	$ 178,396	$ 178,396	-
	Zennor	Samoa	International trade, transit trade, warehousing, and processing	49,570	49,570	1,510	60.16	108,172	29,031	17,465	-
Lumax BVI	Zennor	Samoa	International trade, transit trade, warehousing, and processing	US$ 1,000	US$ 1,000	1,000	39.84	US$ 2,332	US$ 962	NA	-

Note: Related information of the investee company in China is referred to Table 6.

TABLE 6

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars/U.S. Dollars in Thousands/Renminbi in Thousands)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
					Outward	Inward						
Dalian Lumax	1. Import and export business. 2. Dealership and agency service quotations and tenders of products or services of companies in the bonded area. 3. Planning and applications of computer software programs.	$ 101,360 US$ 3,300	Note 1	$ 30,715 US$ 1,000	$ -	$ -	$ 30,715 US$ 1,000	$ 122,854 RMB 27,014	100	$ 122,854 RMB 27,014	$ 533,089 RMB 119,206	$ 98,245 US$ 3,199
Wimax	Producing new styles of insulating materials, power supplies and computer connectors with thermostat and bearing the high pressure.	24,572 US$ 800	Note 1	-	-	-	-	36,596 RMB 8,047	100	36,596 RMB 8,047	146,682 RMB 32,800	36,379 US$ 1,184
Zmax	To process H.F. level of thermostable insulating materials, thermal transfer materials, tape materials, LCD and etc. sale of products produced by the Company, install and maintain valves and calibration instruments.	107,503 US$ 3,500	Note 1	76,788 US$ 2,500	-	-	76,788 US$ 2,500	(1,328) (RMB 292)	100	(1,328) (RMB 292)	153,273 RMB 34,274	-
Dalian Zennor	International trade, transit trade, processing, merchandise show and consulting services.	61,430 US$ 2,000	Note 1	30,715 US$ 1,000	-	-	30,715 US$ 1,000	11,038 RMB 2,427	100	11,038 RMB 2,427	111,889 RMB 25,020	-
Lumax Shanghai	To manufacture and design computer system, instruments, measuring appliance industry automation instruments and sale of products made by the Company (with permission by management).	30,715 US$ 1,000	Note 1	15,665 US$ 510	-	-	15,665 US$ 510	36,364 RMB 7,996	100	36,364 RMB 7,996	34,238 RMB 7,656	-
Dalian Chuangzhan	The installation of mechanical and electrical equipment, on-site maintenance; sales, import and export of goods, technology import and export, instrument sales; assembly, repair and instrument calibration of mechanical/electrical products	44,720 RMB 10,000	Note 1	-	-	-	-	5,730 RMB 1,260	100	5,730 RMB 1,260	57,389 RMB 12,833	-

Note 1: The indirect investment made by Lumax BVI and Zennor

Note 2: The financial statements are audited by the certified public accountant of the parent company in Taiwan.

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Dalian Lumax $ 30,715 /US$ 1,000	$ 112,110 /US$ 3,650	Net asset value 60% $2,710,880
Wimax - / -	30,715 /US$ 1,000	
Zmax 76,788 /US$ 2,500	107,503 /US$ 3,500	
Dalian Zennor 30,715 /US$ 1,000	61,430 /US$ 2,000	
Lumax Shanghai 15,665 /US$ 510	15,665 /US$ 510	

(Continued)

Significant direct or indirect transactions with mainland China

Investee Company	Relationship with the Company	Purchase/Sale	Amount	Unit Price	Payment (Receivable) Terms	To Compare with General Transaction	Ending Balance		% to Total	Unrealized Gain (Loss)
Dalian Lumax	Second-tier subsidiary	Sale	$ 60,289	Note 1	Note 2	Note 1 and 2	Accounts receivable	$ 21,290	3	$ -
Dalian Zennor	Second-tier subsidiary	Sale	108,447	Note 1	Note 2	Note 1 and 2	Accounts receivable	41,151	6	-

Note 1: Sales prices are based on the Corporation's purchasing costs plus reasonable profits.

Note 2: The Corporation collected receivables through T/T in 3-6 months after delivery of goods.

(Concluded)

TABLE 7

LUMAX INTERNATIONAL CORP., LTD. AND SUBSIDIARIES

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

Number	Company Name	Counterparty	Transaction Details				
			Flow of Transactions (Note)	Account	Amount	Transaction Terms	Percentage to Consolidated Total Operating Revenues or Total Assets
0	The Company	Lumax BVI	a	Contract liabilities	$ 16,826	Base on regular terms	-
		Dalian Lumax	a	Sales revenue	60,289	Base on regular terms	1
			a	Trade receivables	21,290	Base on regular terms	-
		Dalian Zennor	a	Sales revenue	108,447	Base on regular terms	2
			a	Trade receivables	41,151	Base on regular terms	1
1	Dalian Lumax	Wimax	c	Other receivables	27,494	Base on regular terms	-
		Zmax	c	Other receivables	44,720	Base on regular terms	1
		Lumax Shanghai	c	Other receivables	11,200	Base on regular terms	-
		Dalian Chuangzhan	c	Purchase	11,062	Base on regular terms	-

Note:
a. From parent to subsidiary.
b. From subsidiary to parent.
c. Between subsidiaries.