

MIN AIK PRECISION INDUSTRIAL CO., LTD.**Parent Company Only Financial Statements****With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017**

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

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Independent Auditors' Report

To the Board of Directors of Min Aik Precision Industrial Co., Ltd. :

Opinion

We have audited the financial statements of Min Aik Precision Industrial Co., Ltd. (“the Company”), which comprise the parent company only balance sheets statement of financial position as of December 31, 2018 and 2017, the parent company only statement of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018 and 2017, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2018 and 2017, and its parent company only financial performance and its parent company only cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 parent company only financial statements of the current period. These matters were addressed in the context of our audit of the parent company only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Inventory valuation

Please refer to Note 4(g) “Inventory” and Note 5(b) of the notes to financial statement for the accounting policies on inventory measurement and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

The Company's inventory are measured at lower of cost and net realized value. The Company's products may be obsolescent or do not meet the market demand due to new product or market change. Thus, the cost of inventory may exceed its net realizable value. Moreover, the net realizable value involved management's judgments. Therefore, the inventory valuation is one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the Company's policies of inventory valuation to assess the appropriateness of its inventory valuation; on a sampling basis, testing the Company's inventory aging report to verify its correctness; understanding and testing, on a sampling basis, the selling price that the management used to assess the appropriateness of the net realizable value.

2. Investments accounted for using equity method

Please refer to Notes 4(h) "Investment in associates" and Notes 5(b) of the notes to financial statement for the accounting policies on investment in associates and significant accounting assumptions and judgments, and major sources of estimation uncertainty, respectively.

Description of key audit matter:

One of the subsidiaries that accounted for using equity method, whose inventory valuation is material to the parent company only financial statements, and the net realizable value involved management's judgments. Such matters may have significant impact to the Company's financial statements. Therefore, which subsidiary's financial statements in relation to inventory valuation was one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, our principal audit procedures included understanding the subsidiary's policies of automatic machine valuation to assess the appropriateness of its inventory valuation; reviewing the reasonableness of prior years' inventory allowance and then compare to current year to assess the appropriateness of the method and the assumption for current year's inventory allowance; understanding and testing, on a sampling basis, the selling price that the management used, or reviewing the subsequent sales of the inventories to assess the appropriateness of the net realizable value.

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

Management is responsible for the preparation and fair presentation of the parent company only 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only 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 parent company only financial statements.

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

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

KPMG

Taipei, Taiwan (Republic of China)

March 18, 2018

Notes to Readers

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

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		<u>December 31, 2018</u>		<u>December 31, 2017</u>				<u>December 31, 2018</u>		<u>December 31, 2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>			<u>Amount</u>	<u>%</u>		
Assets						Liabilities and Equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (notes 6(a))	\$ 417,477	15	737,907	30	2100	Short-term borrowings (note 6(f))	\$ 140,000	5	150,000	6
1170	Accounts receivable, net (notes 6(b) and (m))	116,414	4	134,772	5	2170	Accounts payable	126,820	5	161,227	7
1181	Accounts receivable from related parties (notes 6(b) and 7)	143,965	5	213,598	9	2201	Salary and wages payable (note 6(n))	59,498	2	68,171	3
130X	Inventories (notes 6(c))	135,286	5	118,535	5	2300	Other current liabilities (note 7)	97,086	3	122,746	4
1479	Other current assets (notes 7 and 8)	<u>41,090</u>	<u>1</u>	<u>44,446</u>	<u>1</u>	2322	Long-term borrowings, current portion (note 6(g))	<u>98,000</u>	<u>4</u>	<u>-</u>	<u>-</u>
		<u>854,232</u>	<u>30</u>	<u>1,249,258</u>	<u>50</u>			<u>521,404</u>	<u>19</u>	<u>502,144</u>	<u>20</u>
Non-current assets:						Non-Current liabilities:					
1551	Investments accounted for using equity method (note 6(d))	955,135	35	934,148	38	2541	Long-term borrowings (note 6(g))	462,000	17	50,000	2
1600	Property, plant and equipment (notes 6(e), 7 and 8)	914,946	33	258,313	10	2570	Deferred tax liabilities (note 6(j))	50,822	2	41,652	2
1995	Other non-current assets (notes 6(i) and (j))	<u>39,073</u>	<u>2</u>	<u>38,212</u>	<u>2</u>	2670	Other non-current liabilities	<u>-</u>	<u>-</u>	<u>59,443</u>	<u>2</u>
		<u>1,909,154</u>	<u>70</u>	<u>1,230,673</u>	<u>50</u>			<u>512,822</u>	<u>19</u>	<u>151,095</u>	<u>6</u>
								<u>1,034,226</u>	<u>38</u>	<u>653,239</u>	<u>26</u>
							Total liabilities				
							Equity attributable to owners of parent (note 6(k)):				
						3110	Ordinary share	770,000	28	770,000	31
						3200	Capital surplus	731,335	26	758,285	31
						3310	Legal reserve	284,874	10	283,223	11
						3320	Special reserve	61,868	2	56,380	2
						3350	Unappropriated retained earnings (accumulated deficit)	(53,970)	(2)	20,672	1
						3412	Exchange differences on translation of foreign financial statements	<u>(64,947)</u>	<u>(2)</u>	<u>(61,868)</u>	<u>(2)</u>
							Total equity	<u>1,729,160</u>	<u>62</u>	<u>1,826,692</u>	<u>74</u>
Total assets		<u>\$ 2,763,386</u>	<u>100</u>	<u>2,479,931</u>	<u>100</u>	Total liabilities and equity		<u>\$ 2,763,386</u>	<u>100</u>	<u>2,479,931</u>	<u>100</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

		<u>2018</u>		<u>2017</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4111	Operating revenues (notes 6(m) and 7)	\$ 1,053,656	102	1,229,559	102
4170	Less: Sales returns and allowances	<u>21,360</u>	<u>2</u>	<u>19,576</u>	<u>2</u>
	Net operating revenues	<u>1,032,296</u>	<u>100</u>	<u>1,209,983</u>	<u>100</u>
5111	Operating costs (notes 6(c), (h), (i), (n), 7 and 12)	<u>923,336</u>	<u>89</u>	<u>1,023,870</u>	<u>84</u>
	Gross profit from operations	<u>108,960</u>	<u>11</u>	<u>186,113</u>	<u>16</u>
	Operating expenses (notes 6(h), (i), (n), 7 and 12):				
6100	Selling expenses	36,660	4	36,455	3
6200	Administrative expenses	106,460	10	103,047	9
6300	Research and development expenses	33,460	3	38,309	3
6450	Impairment loss determined in accordance with IFRS 9	<u>878</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total operating expenses	<u>177,458</u>	<u>17</u>	<u>177,811</u>	<u>15</u>
	Net operating income (losses)	<u>(68,498)</u>	<u>(6)</u>	<u>8,302</u>	<u>1</u>
	Non-operating income and expenses (notes 6(d) and (o)):				
7010	Other income (note 7)	12,293	1	11,145	1
7020	Other gains and losses, net	11,356	1	(79,135)	(7)
7375	Share of profit of associates and joint ventures accounted for using equity method	7,995	1	68,246	6
7050	Finance costs	(7,880)	(1)	(2,231)	-
7635	Loss on financial assets (liabilities) at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>-</u>
		<u>23,764</u>	<u>2</u>	<u>(2,009)</u>	<u>-</u>
7900	Profit (loss) before income tax	<u>(44,734)</u>	<u>(4)</u>	<u>6,293</u>	<u>1</u>
7950	Less: Income tax expenses (note 6(j))	<u>12,033</u>	<u>1</u>	<u>(10,220)</u>	<u>(1)</u>
	Net profit (loss)	<u>(56,767)</u>	<u>(5)</u>	<u>16,513</u>	<u>2</u>
8300	Other comprehensive income (loss):				
8310	Items that may not be reclassified subsequently to profit or loss				
8311	Gains (loss) on remeasurements of defined benefit plans	<u>814</u>	<u>-</u>	<u>(210)</u>	<u>-</u>
		<u>814</u>	<u>-</u>	<u>(210)</u>	<u>-</u>
8360	Items that may be reclassified subsequently to profit or loss				
8361	Exchange differences on translation of foreign financial statements	<u>(3,079)</u>	<u>-</u>	<u>(5,488)</u>	<u>-</u>
		<u>(3,079)</u>	<u>-</u>	<u>(5,488)</u>	<u>-</u>
8300	Other comprehensive income (loss), net of income tax	<u>(2,265)</u>	<u>-</u>	<u>(5,698)</u>	<u>-</u>
	Total comprehensive income (loss)	<u>\$ (59,032)</u>	<u>(5)</u>	<u>10,815</u>	<u>2</u>
9750	Basic earnings per share (NT dollars) (note 6(l))	<u>\$ (0.74)</u>		<u>0.21</u>	
9850	Diluted earnings per share (NT dollars) (note 6(l))			<u>\$ 0.21</u>	

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other equity interest</u>	<u>Total equity</u>
	<u>Ordinary shares</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappropriated retained earnings (accumulated deficit)</u>	<u>Exchange differences on translation of foreign financial statements</u>	
Balance on January 1, 2017	\$ 770,000	758,285	260,460	6,361	250,401	(56,380)	1,989,127
Net profit	-	-	-	-	16,513	-	16,513
Other comprehensive income (loss), net of income tax	-	-	-	-	(210)	(5,488)	(5,698)
Total comprehensive income (loss)	-	-	-	-	16,303	(5,488)	10,815
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	22,763	-	(22,763)	-	-
Special reserve	-	-	-	50,019	(50,019)	-	-
Cash dividends on ordinary share	-	-	-	-	(173,250)	-	(173,250)
Balance on December 31, 2017	<u>770,000</u>	<u>758,285</u>	<u>283,223</u>	<u>56,380</u>	<u>20,672</u>	<u>(61,868)</u>	<u>1,826,692</u>
Net loss	-	-	-	-	(56,767)	-	(56,767)
Other comprehensive income (loss), net of income tax	-	-	-	-	814	(3,079)	(2,265)
Total comprehensive income (loss)	-	-	-	-	(55,953)	(3,079)	(59,032)
Appropriation and distribution of retained earnings:							
Legal reserve	-	-	1,651	-	(1,651)	-	-
Special reserve	-	-	-	5,488	(5,488)	-	-
Cash dividends on ordinary share	-	-	-	-	(11,550)	-	(11,550)
Cash dividends from capital surplus	-	(26,950)	-	-	-	-	(26,950)
Balance on December 31, 2018	<u>\$ 770,000</u>	<u>731,335</u>	<u>284,874</u>	<u>61,868</u>	<u>(53,970)</u>	<u>(64,947)</u>	<u>1,729,160</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MIN AIK PRECISION INDUSTRIAL CO., LTD.

Parent Company Only Parent Company Only Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) operating activities:		
Profit (loss) before income tax	\$ (44,734)	6,293
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation and amortization expense	79,104	77,751
Net loss on financial assets or liabilities at fair value through profit or loss	-	34
Interest expense	7,880	2,231
Interest income	(1,148)	(2,464)
Share of loss (profit) of subsidiaries, associates and joint ventures accounted for using equity method	(7,995)	(68,246)
Loss on disposal or retirement of property, plant and equipment	325	475
Impairment loss on non-financial assets	12,444	-
Other	-	106
Total adjustments to reconcile profit (loss)	<u>90,610</u>	<u>9,887</u>
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	87,991	(8,029)
Inventories	(26,534)	(32,886)
Other current assets	2,832	(29,611)
Other operating assets	(1,042)	(2,908)
Total changes in operating assets	<u>63,247</u>	<u>(73,434)</u>
Changes in operating liabilities:		
Accounts payable	(34,407)	22,413
Other current liabilities	(38,169)	(27,098)
Total changes in operating liabilities	<u>(72,576)</u>	<u>(4,685)</u>
Total changes in operating assets and liabilities	<u>(9,329)</u>	<u>(78,119)</u>
Total adjustments	<u>81,281</u>	<u>(68,232)</u>
Cash inflow (outflow) generated from operations	36,547	(61,939)
Interest received	1,229	2,403
Interest paid	(6,157)	(2,221)
Income taxes paid	(2,723)	(11,180)
Net cash flows from operating activities	<u>28,896</u>	<u>(72,937)</u>
Cash flows from (used in) investing activities:		
Proceeds from disposal of financial assets at fair value through profit or loss	-	14,500
Acquisition of investments accounted for using equity method	(66,479)	-
Acquisition of property, plant and equipment	(742,607)	(49,498)
Proceeds from disposal of property, plant and equipment	7	-
Increase in refundable deposits	(1,017)	1,359
Increase in other financial assets	(730)	(1,400)
Net cash flows used in investing activities	<u>(810,826)</u>	<u>(35,039)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term borrowing	(10,000)	50,000
Increase in long-term borrowing	510,000	-
Cash dividends paid	(38,500)	(173,250)
Net cash flows from (used in) financing activities	<u>461,500</u>	<u>(123,250)</u>
Net decrease in cash and cash equivalents	<u>(320,430)</u>	<u>(231,226)</u>
Cash and cash equivalents at beginning of period	<u>737,907</u>	<u>969,133</u>
Cash and cash equivalents at end of period	<u>\$ 417,477</u>	<u>737,907</u>

See accompanying notes to parent company only financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
MIN AIK PRECISION INDUSTRIAL CO., LTD.

Notes to the Parent Company Only Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history

Min Aik Precision Industrial Co., Ltd. (the “Company”) was incorporated on January 18, 2001, as a company limited by shares and registered under the Ministry of Economic Affairs, ROC. The Company’s shares were listed on the Taiwan Stock Exchange (TWSE) on January 6, 2016. The address of its registered office is No. 2, Guorui Rd., Guanyin Dist., Taoyuan City. The Company mainly engages in the processing and manufacturing of electroplating of aluminum and copper products, precision stamping components and electroless nickel plating.

(2) Approval date and procedures of the financial statements:

These parent company only financial statements were authorized for issuance by the Board of Directors on March 18, 2019.

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”. The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this Standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the goods are delivered to the customers’ premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The cumulative impact amount of initially adopting IFRS 15 was \$0 to the Company, and there was no impact to the parent company only financial statements for the year ended December 31, 2018, that is, the parent company only financial statements for the year ended December 31, 2018, in conformity with the financial statements that did not adopt IFRS 15. Therefore, the Company need not to disclose the information that the financial statements for the year ended December 31, 2018, which did not adopt IFRS 15.

(ii) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting.

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As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company’s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 “Financial Instruments: Disclosures” that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company’s financial assets as of January 1, 2018. (There is no change in categories and carrying amount of financial liabilities)

(Continued)

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	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and equivalents	Loans and receivables	737,907	Amortized cost	737,907
Accounts receivable	Loans and receivables (note 1)	348,370	Amortized cost	348,370
Other financial assets (Guarantee deposits paid)	Loans and receivables (note 1)	10,870	Amortized cost	10,870

Note1: Trade, lease and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. No influence on the allowance for impairment was recognized in opening retained earning upon transition to IFRS 9 on January 1, 2018.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings	2018.1.1 Other equity
Amortized cost						
Beginning balance of cash and cash equivalents, accounts receivable, and other financial assets	\$ 1,097,147	-	-	1,097,147	-	-

(iii) Amendments to IAS 7 “Disclosure Initiative”

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(s).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company only financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, SIC-15 “Operating Leases – Incentives” and SIC-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

(Continued)

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When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

- apply a single discount rate to a portfolio of leases with similar characteristics.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that the right-of-use assets and the lease liabilities to increase by \$3,649 thousand and \$3,316 thousand after deducting \$333 of the prepayment respectively, on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the Company expects the adoption of the abovementioned adoption of the IFRSs that will not impact the deferred income tax liabilities and retained earnings at January 1, 2019. However, the actual impacts of adopting the standards may change that, it depends on the economic conditions and events occur in the future.

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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”	Effective date 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

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The significant accounting policies presented in the parent company only financial statements are summarized as below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the parent company only financial statements.

- (a) Statement of compliance

These parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the parent company only financial statements have been prepared on a historical cost basis:

- 1) Financial instruments measured at fair value through profit or loss are measured at fair value;
- 2) The defined benefit asset is recognized as the fair value of the plan assets less the present value of the defined benefit obligation.

- (ii) Functional and presentation currency

The functional currency of the company is determined based on the primary economic environment in which the entity operates. The parent company only financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

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(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to New Taiwan Dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to New Taiwan Dollars at the average exchange rate. Translation differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash, and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual rights or obligations of the instruments.

(i) Financial assets (policy applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or fair value through other comprehensive income (FVOCI) described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and accounts receivable, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

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4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (policy applicable before January 1, 2018)

Financial assets are classified into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. The Company designates financial assets, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Performance of the financial asset is evaluated on a fair value basis;
- A hybrid instrument contains one or more embedded derivatives.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which take into account any dividend and interest income, are recognized in profit or loss, and included in other gains and losses, net. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

2) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables other than insignificant interest on short-term receivables are measured at amortized cost using the effective interest method, less any impairment losses. A regular way purchase or sale of financial assets is recognized and derecognized, as applicable, using trade date accounting.

Interest income is recognized in profit or loss, and it is included in other income.

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3) Impairment of financial assets

Except for financial assets at fair value through profit or loss, financial assets are assessed for impairment at each reporting date. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the those suggested by historical trends.

An impairment loss in respect of a financial asset is deducted from the carrying amount except for accounts receivable, for which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Changes in the amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of impairment loss on a financial asset measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses and recoveries of accounts receivable are recognized in profit or loss; impairment losses and recoveries of other financial assets are recognized in other gains and losses, net.

4) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable in profit or loss is included in other gains and losses, net.

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The Company separates the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss, and included in non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as such on initial recognition.

Financial liabilities are classified as held for trading if acquired principally for the purpose of selling in the short term. The Company designates financial liabilities, other than those classified as held for trading, as at fair value through profit or loss at initial recognition under one of the following situations :

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on a different basis;
- Performance of the financial liabilities is evaluated on a fair value basis; or
- A hybrid instrument contains one or more embedded derivatives.

Attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value, and changes therein, which take into account any interest expense, are recognized in profit or loss, and included in other gains and losses, net.

(Continued)

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3) Other financial liabilities

Financial liabilities not classified as held for trading or designated as at fair value through profit or loss are measured at fair value, plus any directly attributable transaction costs at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

4) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled, or has expired. The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income or expenses.

5) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in subsidiaries

When preparing the parent company only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the net income, other comprehensive income and equity in the parent company only financial statements are the same as those attributable to the owners of parent in the consolidated financial statements.

Changes in parent's ownership interest in a subsidiary that do not result in the loss of control are recognized under equity.

(Continued)

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(i) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight line basis over the estimated useful lives of each component of an item of property, plant and equipment. Items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately.

Leased assets are depreciated by the straight line method during the period of expected use, consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

- 1) Buildings: 50 years
- 2) Building facilities: 3~5 years

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- 3) Machinery and equipment: 2~10 years
- 4) Office and other equipment : 2~15 years
- 5) Leasehold improvement : 2~10 years

The depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from previous estimates, the changes are accounted for as changes in accounting estimates.

(j) Lease

(i) Lessor

Lease income from an operating lease is recognized in income on a straight line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into an operating lease are spread over the lease term on a straight line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Under the operating leases, all payments are recognized as lease expenses, and the leased assets are not recognized in the consolidated statement of financial position.

Payments made under operating leases (excluding insurance and maintenance expenses) are recognized in profit or loss on a straight line basis over the term of the lease.

Contingency rent is recognized as expense in the period in which it is incurred.

(k) Impairment – non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from inventory, deferred tax assets, and assets arising from employee benefits, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount (the higher of its fair value less costs of disposal and its value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash generating unit (CGU).

The recoverable amount of an individual asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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An assessment is made at the end of each reporting period as to whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss recognized in prior periods for an asset is reversed if, and only if, there has been an improvement in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. In this case, the carrying amount of the asset is increased to its recoverable amount by reversing an impairment loss.

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

In accordance with the leases agreement, the Company has the obligation to restore the leased facilities and office. The provision is measured by the discounted present value of restoration cost at the termination of agreement and related expense are recognized during contract period.

(m) Revenue recognized

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

The Company manufactures and sells electronic components to computer and automobile manufacturers. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(ii) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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(iii) Revenue (policy applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that a discount will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Usually, the transfer occurs upon that the goods are delivered to clients' warehouse, and are accepted by the clients.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. If the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

If the benefits of a plan are improved, the expense of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest), and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets, any change in the present value of the defined benefit obligation, and any related actuarial gains or losses and past service cost which had not previously been recognized.

(iii) Short term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(o) Share based payment

The grant-date fair value of share based payment awards granted to employees is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

The Company usually reserves partial shares for employees' subscription when the Company increases capital, the grant-date is the date that the Company and employees reach a consensus in the subscription price and number of shares.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

Deferred taxes arise due to the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the following exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to a business combination and have no effect on net income or taxable gains (losses) at the time of the transaction.
- (ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, which are normally the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfills one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of the expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be revaluated every year on the financial reporting date, and they shall be adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(q) Earnings per share

The Company discloses the basic and diluted earnings per share attributable to ordinary shareholders of the Company. The calculation of basic earnings per share is the profit attributable to the ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. The calculation of diluted earnings per share is the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Dilutive potential ordinary shares comprise employee bonuses not yet resolved by the shareholders and such employee bonuses is paid by new shares that resolved by the shareholders.

(r) Operating segments

The Company discloses the operating segment information in the consolidated financial statements. Therefore, the Company does not disclose the operating segment information in the parent company only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent company only financial statements in conformity with the Regulations requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

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The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Company's accounting policies do not involve significant judgments.

Information about assumptions and estimation uncertainties that has a significant risk of resulting in a material adjustment within the next financial year is as follows:

(a) Valuation of Inventory

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to Note 6(c) for further description of the valuation of inventories.

(b) Inventory valuation of subsidiary which accounted for using the equity method.

One of the subsidiaries that accounted for using equity method, whose inventories stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period, and then writes down the cost of inventories to net realizable value. The net realizable value of the inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories.

The Company's accounting policies include measuring financial and non-financial assets and liabilities at fair value through profit or loss. The Company's financial division conducts independent verification on fair value by using data sources that are independent, reliable, and representative of exercise prices. This financial division also periodically adjusts valuation models, conducts back testing, renews input data for valuation models, and makes all other necessary fair value adjustments to assure the rationality of fair value.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: 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).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(p) for assumptions used in measuring fair value.

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash in hand, check, and demand deposits	\$ 417,477	666,483
Time deposits	-	71,424
Cash and cash equivalents in the statement of cash flows	<u>\$ 417,477</u>	<u>737,907</u>

Please refer to note 6(p) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets and liabilities of the Company.

(b) Accounts receivable (include related parties)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Accounts receivable	\$ 117,602	135,082
Accounts receivable from related parties	143,965	213,598
Less: Loss allowance	<u>(1,188)</u>	<u>(310)</u>
	<u>\$ 260,379</u>	<u>348,370</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provision as of December 31, 2018 was determined as follows:

<u>Accounts receivable -non-related parties</u>	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 109,867	1%	1,111
0 to 60 days past due	7,735	1%	77
61 to 180 days past due	-	5%	-
121 to 180 days past due	-	20%	-
181 to 360 days past due	-	50%	-
More than 360 days past due	<u>-</u>	100%	<u>-</u>
	<u>\$ 117,602</u>		<u>1,188</u>

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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<u>Accounts receivable -related parties</u>	<u>Gross carrying amount</u>	<u>Weighted- average loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 143,965	0%	-
0 to 60 days past due	-	0%	-
61 to 120 days past due	-	0%	-
121 to 180 days past due	-	0%	-
181 to 360 days past due	-	0%	-
More than 360 days past due	-	0%	-
	<u>\$ 143,965</u>		<u>-</u>

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of accounts receivable, and the aging analysis of accounts receivable, which were past due but not impaired, was as follows:

	<u>December 31, 2017</u>
0 to 90 days past due	<u>\$ 5,592</u>

The movement in the allowance for accounts receivable was as follows:

	<u>2018</u>	<u>2017</u>	
		<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>
Balance on January 1, 2018 and 2017 per IAS 39	\$ 310	-	217
Adjustment on initial application of IFRS 9	-		
Balance on January 1, 2018 per IFRS 9	310		
Impairment losses recognized (Gain on reversal of impairment loss)	878	-	93
Balance on December 31, 2018 and 2017	<u>\$ 1,188</u>	<u>-</u>	<u>310</u>

(c) Inventories

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Raw materials and supplies	\$ 19,810	24,156
Work in progress	20,550	15,904
Finished goods	94,926	78,475
	<u>\$ 135,286</u>	<u>118,535</u>

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In 2018, the write-down of inventories amounted to \$2,903 thousand (2017: \$5,737 thousand). Such loss was added to cost of goods sold.

In 2018, the idle capacity was \$28,888 thousand (2017: \$20,061 thousand). Such unallocated fixed overheads due to idle capacity was recognized as cost of goods sold.

As of December 31, 2018 and 2017, the Company did not provide any inventories as collateral for its loans.

(d) Investments accounted for using equity method

A summary of the Company's financial information for investments accounted for using the equity method at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Esteem King Limited (Esteem King))	\$ 944,079	934,148
Evolution Holdings Limited (Evolution)	11,056	(50,408)
Recognized as other liabilities	-	50,408
	\$ 955,135	934,148
	2018	2017
Attributable to the Company:		
Profit for the year	\$ 7,995	68,246

The Company recognized investment income (losses) based on subsidiaries' financial statements with same fiscal period that was audited by the Certified Public Accountant.

Such investment accounted for using equity method does not have a quoted market price in an active market.

(e) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017, were as follows:

	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Cost or deemed cost:						
Balance on January 1, 2018	\$ 26,721	45,388	556,386	235,780	27,777	892,052
Additions	569,641	108,945	35,153	10,276	14,837	738,852
Disposal	-	-	(3,629)	(6,449)	-	(10,078)
Transfer	-	-	28,287	4,495	(32,782)	-
Balance on December 31, 2018	\$ 596,362	154,333	616,197	244,102	9,832	1,620,826
Balance on January 1, 2017	\$ 26,721	44,781	546,268	217,094	4,016	838,880
Additions	-	607	9,907	17,331	27,205	55,050
Disposal	-	-	(1,525)	(798)	-	(2,323)
Transfer	-	-	1,736	2,153	(3,444)	445
Balance on December 31, 2017	\$ 26,721	45,388	556,386	235,780	27,777	892,052

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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	<u>Land</u>	<u>Buildings</u>	<u>Machinery and equipment</u>	<u>Office and other equipment</u>	<u>Construction in progress and testing equipment</u>	<u>Total</u>
Depreciation and impairments loss:						
Balance on January 1, 2018	\$ -	3,726	444,384	185,629	-	633,739
Depreciation	-	3,279	46,254	19,910	-	69,443
Disposal	-	-	(3,451)	(6,295)	-	(9,746)
Impairment loss	-	-	12,444	-	-	12,444
Balance on December 31, 2018	<u>\$ -</u>	<u>7,005</u>	<u>499,631</u>	<u>199,244</u>	<u>-</u>	<u>705,880</u>
Balance on January 1, 2017	\$ -	2,118	402,901	167,594	-	572,613
Depreciation	-	1,608	42,592	18,774	-	62,974
Impairment loss	-	-	(1,109)	(739)	-	(1,848)
Balance on December 31, 2017	<u>\$ -</u>	<u>3,726</u>	<u>444,384</u>	<u>185,629</u>	<u>-</u>	<u>633,739</u>
Carrying amounts:						
Balance on December 31, 2018	<u>\$ 596,362</u>	<u>147,328</u>	<u>116,566</u>	<u>44,858</u>	<u>9,832</u>	<u>914,946</u>
Balance on January 1, 2017	<u>\$ 26,721</u>	<u>42,663</u>	<u>143,367</u>	<u>49,500</u>	<u>4,016</u>	<u>266,267</u>
Balance on December 31, 2017	<u>\$ 26,721</u>	<u>41,662</u>	<u>112,002</u>	<u>50,151</u>	<u>27,777</u>	<u>258,313</u>

The Company entered into a contract with Taitien Asset Development Co., Ltd. (Taitien) on January 26, 2018, to purchase the land and buildings (No.2 Guorui Rd., Guanyin Dist., Toayuan City), which were originally rented for its office and plant with \$680,000 thousand. The Company referred to the transaction information of nearby real estate market and the real estate appraisal report, and then negotiated with Taitien to decide the purchase price. The ownership of the land and building has been transferred to the Company and completed registration on March 28, 2018. The Company recognized the land and buildings as property, plant and equipment, and borrow the long-term borrowings in compliance with its operating and financial plan. Please refer to note 6(g) for details.

In 2018, the Company considered that some of the machinery and equipment are insufficient capacity utilization, and the future economic benefits probably may not be recovered after the Group's assessment. Therefore, the Company recognized impairment loss amounting to \$12,444 thousand.

As of December 31, 2018 and 2017, for the Company pledged property, plant and equipment as collateral for long-term borrowings, please refer to note (8).

(f) Short-term borrowings

The short-term borrowings were summarized as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Unsecured bank loans	<u>\$ 140,000</u>	<u>150,000</u>
Unused short-term credit lines	<u>\$ 516,177</u>	<u>613,802</u>
Range of interest rates	<u>1%</u>	<u>0.90%-0.99%</u>

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(g) Long-term borrowings

The details were as follows:

	December 31, 2018	December 31, 2017
Unsecured bank loans	\$ 50,000	50,000
Secured bank loans	510,000	-
Less : current portion	<u>(98,000)</u>	<u>-</u>
Total	<u>\$ 658,000</u>	<u>50,000</u>
Unused long-term credit lines	<u>\$ 50,000</u>	<u>50,000</u>
Range of interest rates	<u>1.18%~1.61167%</u>	<u>1.18%</u>

According to the Company's operating and financial plan, the Company entered into a long-term borrowings agreement with Cathay United Bank on April 16, 2018, and drawdown of loan to purchase the property, plant and equipment simultaneously. Please refer to note 6(e) for details.

(h) Operating lease

Non-cancellable operating lease rentals payable were as follows:

	December 31, 2018	December 31, 2017
Less than one year	\$ 2,596	3,244
Between one and five years	<u>819</u>	<u>3,337</u>
	<u>\$ 3,415</u>	<u>6,581</u>

- (i) The Company leases a number of land, factory facilities, offices, and vehicles under operating lease with an option to renew the lease after that date. Such leased land and factory have been transferred to the Company and completed registration on March 28, 2018, please refer to 6(e) for details. During the year, an amount of \$5,213 thousand was recognized as an expense in profit or loss in respect of operating leases (2017: \$18,240 thousand). Moreover, the Company's operating lease contracts had no agreements with contingent rental.
- (ii) The lease agreements are identified as operating lease because such agreements have no conditions to transfer subject matters or assumes substantially all of the risks and rewards of ownership by the Group.

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(i) Employee benefit

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	\$ (26,118)	(25,339)
Fair value of plan assets	<u>45,687</u>	<u>43,052</u>
Net defined benefit liabilities	<u><u>\$ 19,569</u></u>	<u><u>17,713</u></u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$45,687 thousand as of December 31, 2018. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows

	2018	2017
Defined benefit obligations at January 1	\$ 25,339	32,563
Current service costs and interest cost	408	537
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	(223)	(537)
– Actuarial loss (gain) arising from:	99	96
-demographic assumptions		
-financial assumptions	495	480
Benefits planned to be paid	<u>-</u>	<u>(7,800)</u>
Defined benefit obligations at December 31	<u><u>\$ 26,118</u></u>	<u><u>25,339</u></u>

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Fair value of plan assets at January 1	\$ 43,052	41,578
Interest income	545	579
Remeasurements loss (gain):		
– Return on plan assets excluding interest income	1,184	(170)
Benefits paid	906	1,065
Fair value of plan assets at December 31	<u>\$ 45,687</u>	<u>43,052</u>

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2018</u>	<u>2017</u>
Current service costs	\$ 92	89
Net interest of net liabilities (assets) for defined benefit obligations and plan assets	(228)	(132)
	<u>\$ (136)</u>	<u>(43)</u>
Operating cost	<u>\$ (136)</u>	<u>(43)</u>

5) Remeasurement of net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income were as follows:

	<u>2018</u>	<u>2017</u>
Accumulated amount at January 1	\$ 2,022	1,812
Recognized during the period	(814)	210
Accumulated amount at December 31	<u>\$ 1,208</u>	<u>2,022</u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2018.12.31</u>	<u>2017.12.31</u>
Discount rate	1.125 %	1.250 %
Future salary increase rate	3.125 %	3.125 %

(Continued)

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The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$906 thousand.

The weighted average lifetime of the defined benefits plans is 12 years.

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

<u>Original actuarial assumptions</u>	<u>Influences of defined benefit plan assets</u>	
	<u>Increased 0.5%</u>	<u>Decreased 0.5%</u>
December 31, 2018		
Discount rate 1.125%	983	(1,042)
Future salary increasing rate 3.125%	(988)	942
December 31, 2017		
Discount rate 1.250%	953	(1,011)
Future salary increasing rate 3.125%	(956)	910

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of Labor Insurance amounted to \$13,378 thousands and \$13,833 thousands for the years ended December 31, 2018 and 2017, respectively.

(j) Income taxes

(i) The components of income tax in the years 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Current tax expense	\$ -	(3,486)
Deferred tax expense (income)	12,033	(6,734)
Income tax expense	<u>\$ 12,033</u>	<u>(10,220)</u>

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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- (ii) The amount of income tax recognized directly in equity for 2018 and 2017 was 0.
- (iii) Reconciliation of income tax and profit before tax for 2018 and 2017 is as follows:

	2018	2017
Profit and loss excluding income tax	\$ <u>(44,734)</u>	<u>6,293</u>
Income tax using the Company's domestic tax rate	(8,947)	1,070
Adjustment in tax rate	6,038	-
Change in unrecognized temporary differences	<u>14,942</u>	<u>(11,290)</u>
	\$ <u>12,033</u>	<u>(10,220)</u>

- (iv) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax liabilities

The Company's foreign subsidiaries have retained earnings, because of the demand of capital expenditures and working capital. The Company expects that some of these retained earnings will not be returned back to the Company in the foreseeable future under the consideration of Company's integral development and investment plan. Hence, the temporary differences are not recognized under deferred tax liabilities. As of December 31, 2018 and 2017, the unrecognized deferred tax liabilities amount was \$13,595 thousand and \$11,556 thousand, respectively.

- 2) Unrecognized deferred tax assets

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	\$ 3,396	<u>2,908</u>
The carry forward of unused tax losses	<u>17,504</u>	-
	\$ <u>20,900</u>	<u>2,908</u>

The R.O.C. Income Tax Act and subsidiaries tax jurisdiction allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the information of the Group's unused tax losses for which no deferred tax assets were recognized are as follows:

<u>Year of loss</u>	<u>Unused tax loss</u>	<u>Expiry date</u>
2017 (Filed)	\$ 12,682	2027
2018 (Estimation)	74,840	2028

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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3) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	<u>Unrealized exchange gain</u>	<u>Gain on foreign investments under the equity method</u>	<u>Total</u>	
Deferred Tax Liabilities:				
Balance at January 1, 2018	\$ -	41,652	41,652	
Recognized in profit or loss	<u>221</u>	<u>8,949</u>	<u>9,170</u>	
Balance at December 31, 2018	<u>\$ 221</u>	<u>50,601</u>	<u>50,822</u>	
Balance at January 1, 2017	\$ 1,841	41,606	43,447	
Recognized in profit or loss	<u>(1,841)</u>	<u>46</u>	<u>(1,795)</u>	
Balance at December 31, 2017	<u>\$ -</u>	<u>41,652</u>	<u>41,652</u>	
	<u>Unrealized exchange loss</u>	<u>Allowance to reduce inventory</u>	<u>Non-financial assets impairment</u>	<u>Total</u>
Deferred Tax Assets:				
Balance at January 1, 2018	\$ (5,047)	(2,391)	-	(7,438)
Recognized in profit or loss	<u>5,047</u>	<u>(880)</u>	<u>(1,304)</u>	<u>2,863</u>
Balance at December 31, 2018	<u>\$ -</u>	<u>(3,271)</u>	<u>(1,304)</u>	<u>(4,575)</u>
Balance at January 1, 2017	\$ -	(2,499)	-	(2,499)
Recognized in profit or loss	<u>(5,047)</u>	<u>108</u>	<u>-</u>	<u>(4,939)</u>
Balance at December 31, 2017	<u>\$ (5,047)</u>	<u>(2,391)</u>	<u>-</u>	<u>(7,438)</u>

(v) Examination and Approval

The Company's tax returns for the years through 2016 were examined and approved by the Taipei National Tax Administration.

(k) Capital and other equity

As of December 31, 2018 and 2017, the total value of authorized ordinary shares both were amounted to \$1,000,000 thousand with par value of \$10 per share. As of that date, ordinary shares both were issued amounted to \$770,000 thousand.

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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(i) Capital surplus

The balances of capital surplus as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share premium	\$ 681,049	707,999
Reorganization	42,439	42,439
Employee share options	<u>7,847</u>	<u>7,847</u>
	<u>\$ 731,335</u>	<u>758,285</u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

The general meeting of shareholders that held on June 15, 2018, decided to distribute capital surplus resulting from share premium as cash dividends amounted to \$26,950 thousand with \$0.35 per share.

(ii) Retained earnings

The Company's Articles of Incorporation requires that after-tax earnings shall first be offset against any deficit, and 10% of the balance shall be set aside as legal reserve. The appropriation for legal reserve is discontinued when the balance of the legal reserve equals the total authorized capital. Aside from the aforesaid, the Company may, under its Articles of Incorporation or as required by the government, appropriate for special reserve. The remaining balance of the earnings, if any, may be appropriated according to a resolution of a shareholder's meeting.

In consideration of the shareholder's long-term benefit and stable operation, the Company adopts a stable dividends policy. Therefore, cash dividends should not be less than 10% of the aggregate dividends.

1) Legal reserve

According to the R.O.C. Company Act, the Company must retain 10% of its after-tax annual earnings as legal reserve until such retention equals the amount of total capital. When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
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2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Earnings distribution

Earnings distribution for 2017 and 2016 was decided via the general meeting of shareholders held on June 15, 2018 and June 16, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Amount per share</u>	<u>Total amount</u>	<u>Amount per share</u>	<u>Total amount</u>
Dividends distributed to ordinary shareholders				
Cash	\$ 0.15	<u>11,550</u>	2.25	<u>173,250</u>

Earnings distributions for 2017 and 2016 that decided by the general meeting of shareholders were not different from the resolution of board meeting. Related information would be available at the Market Observation Post System website.

(l) Earnings per share

(i) Basic earnings per share

The calculation of basic earnings per share at December 31, 2018, was based on the profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, calculated as follows:

	<u>2018</u>	<u>2017</u>
Basic earnings per share		
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u>(56,767)</u>	<u>16,513</u>
Weighted-average number of ordinary shares (thousand shares)	<u>77,000</u>	<u>77,000</u>
Earnings per share	\$ <u>(0.74)</u>	<u>0.21</u>

(Continued)

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(ii) Diluted earnings per share

The Company does not have any dilutive potential ordinary shares in 2018. Thus, only basic earnings per share is disclosed. The calculation of diluted earnings per share at December 31, 2017, was based on profit attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows.

	2017
Diluted earnings per share	
Profit (loss) attributable to ordinary shareholders of the Company	\$ <u><u>16,513</u></u>
Weighted-average number of ordinary shares (thousand shares)	<u><u>77,156</u></u>
Earnings per share	\$ <u><u>0.21</u></u>
	2017
Weighted-average number of ordinary shares (diluted) (thousand shares):	
Weighted average number of ordinary shares (basic)	77,000
Effect of employee share bonus	<u>156</u>
Weighted average number of ordinary shares (diluted)	<u><u>77,156</u></u>

(m) Revenue from contracts with customers

(i) Details of revenue

	2018	2017
Primary geographical markets		
Malaysia	\$ 505,704	600,811
Taiwan	248,185	310,601
Thailand	150,153	158,599
China	80,149	108,666
Others	<u>48,105</u>	<u>31,306</u>
	<u><u>\$ 1,032,296</u></u>	<u><u>1,209,983</u></u>

(ii) Contract balances

	December 31, 2018	December 31, 2017
Accounts receivable	\$ 261,567	348,680
Less: allowance for impairment	<u>(1,188)</u>	<u>(310)</u>
Total	<u><u>\$ 260,379</u></u>	<u><u>348,370</u></u>

For details on accounts receivable and allowance for impairment, please refer to note 6(b).

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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(n) Employee compensation and directors' and supervisors' remuneration

In accordance with the Articles of Incorporation the Company should contribute 3%~9% of the profit as employee compensation and less than 3% as directors' and supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

The amount of remuneration of each director and supervisor and of compensation for employees entitled to receive the abovementioned employee compensation is approved by the Board of Directors. The recipients of shares and cash may include the employees of the Company's affiliated companies who meet certain conditions.

The Company did not estimate employee compensation and directors' and supervisors' remuneration due to loss before income tax for the year ended December 31, 2018. For the year ended December 31, 2017, the Company estimated its employee remuneration amounting to \$195 thousand, and directors' and supervisors' remuneration amounting to \$0. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. These remunerations were expensed under operating costs or operating expenses during 2017. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company only financial statements, are identical to those of the actual distributions for 2017.

(o) Non-operating income and expenses

(i) Other income

The details of other income were as follows:

	<u>2018</u>	<u>2017</u>
Interest income	\$ 1,148	2,464
Rent income	3,839	3,692
Other income	<u>7,306</u>	<u>4,989</u>
	<u>\$ 12,293</u>	<u>11,145</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2018</u>	<u>2017</u>
Foreign exchange gains (losses), net	\$ 18,090	(78,760)
Gain (Losses) on disposals of property, plant and equipment, net	(325)	(475)
Loss on non-financial assets impairment	(12,444)	-
Others	<u>6,035</u>	<u>100</u>
	<u>\$ 11,356</u>	<u>(79,135)</u>

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MIN AIK PRECISION INDUSTRIAL CO., LTD.
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(p) Financial instruments

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, which is derived primarily from the Company's accounts receivable.

1) Credit risk exposure

The maximum exposure to credit risk is mainly from carrying amount of financial assets. As of December 31, 2018 and 2017, the maximum amounts that exposed to credit risk were \$687,355 thousand and \$1,097,147 thousand, respectively. Since the Company's bank deposits are deposited in many different finance institutions with good credit rating. Therefore, there is no significant credit risk.

2) Concentration of credit risk

The concentration of credit risk is mainly affected by creditors' rating and the client's industry. As of December 31, 2018 and 2017, 91% and 98%, respectively, of the Company's accounts receivable were concentrated on top five sales clients.

3) Please refer to note 6(b) for the details of the accounts receivable aging and loss allowance.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2018						
Non-derivative financial liabilities						
Bank loans	\$ 700,000	736,174	247,909	70,861	206,335	211,069
Accounts payable (including related parties)	126,820	126,820	126,820	-	-	-
Other financial liabilities	<u>89,684</u>	<u>89,684</u>	<u>89,684</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 916,504</u>	<u>952,678</u>	<u>464,413</u>	<u>70,861</u>	<u>206,335</u>	<u>211,069</u>
December 31, 2017						
Non-derivative financial liabilities						
Bank loans	\$ 200,000	200,813	150,762	50,051	-	-
Accounts payable (including related parties)	161,227	161,227	161,227	-	-	-
Other financial liabilities	<u>107,957</u>	<u>107,957</u>	<u>107,957</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 469,184</u>	<u>469,997</u>	<u>419,946</u>	<u>50,051</u>	<u>-</u>	<u>-</u>

(Continued)

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The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	16,481	30.715	506,200	31,548	29.76	938,860
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	367	30.7150	11,261	440	29.76	13,101

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, other accounts receivable and accounts payable that are denominated in foreign currency.

A strengthening (weakening) of 1% of the NTD against the abovementioned foreign currency as of 31 December, 2018 and 2017 would have increased (decreased) the net profit before tax by \$4,949 thousand and \$9,258 thousand, respectively. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2017.

3) Foreign exchange gain and loss on monetary items

The exchange rate information that foreign exchange gain (loss) (including realized and unrealized portions) on monetary items is translated to the parent company's functional currencies, New Taiwan Dollars, was as follows:

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	2018		2017	
	Exchange gain or loss	Average exchange rate	Exchange gain or loss	Average exchange rate
NTD	18,090	1	(78,760)	1

4) Interest rate analysis

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases a quarter-point when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by a quarter-point, the Company's profit (loss) before income tax would have increased / decreased by \$357 thousand and \$1,570 thousand for the year ended 2018 and 2017 with all other variable factors remaining constant. This is mainly due to the changes in the Company's variable-interest-rate financial liabilities exposure to interest risk.

The Company's fixed-interest-rate financial liabilities are measured at amortized cost. The changes in market rate do not affect the Company's profit or loss on the reporting date. Therefore, the Company does not disclose the sensitivity analysis of the changes in fair value.

(iv) Fair value of financial instruments

The carrying amounts and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy are as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that have no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

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		December 31, 2018			
		Book Value	Fair Value		
		Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$	417,477			
Accounts receivable		116,414			
Accounts receivables – related party		143,965			
Other receivables (including related parties)		9,499			
Subtotal		\$ 687,355			
Financial liabilities measured at amortized cost					
Long term and short term borrowing	\$	700,000			
Accounts payable (including related parties)		126,820			
Other financial liabilities		89,684			
Subtotal		\$ 916,504			
		December 31, 2017			
		Book Value	Fair Value		
		Level 1	Level 2	Level 3	Total
Loans and receivables					
Cash and cash equivalents	\$	737,907			
Accounts receivable		134,772			
Accounts receivable – related party		213,598			
Other receivables (including related parties)		10,870			
Subtotal		\$ 1,097,147			
Financial liabilities measured at amortized cost					
Long term and short term borrowing	\$	200,000			
Accounts Payables (including related parties)		161,227			
Other financial liabilities		107,957			
Subtotal		\$ 469,184			

1) Valuation techniques for financial instruments measured at fair value

The fair value of financial instruments traded in an active market is based on the quoted market price. The quotation announced by the stock exchange center or exchange center, might be regarded as the fair value of the listed equity securities which is traded in an active market.

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If quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities, and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have quoted price in active market. If a financial instrument does not accord with the definition aforementioned, then it is considered to be without quoted price in active market. In general, market with low trading volume or high bid-ask spreads is an indication of non-active market.

The Company's valuation techniques and assumptions used for financial instruments measured at fair value are as follows:

- Measurements of fair value of financial instruments with an active market, such as listed company stock, beneficiary certificate etc., its fair value depends on the market quotation.
- Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

2) There were no transfers between each fair value levels in 2018 and 2017.

(q) Financial risk management

(i) Structure of risk management

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(ii) The Company have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

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The abovementioned risks discuss the Company's objectives, policies and processes for measuring and managing the aforementioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to note 6(p).

(r) Capital management

The Company's capital management policy is to ensure that it has sufficient and necessary financial resources to sustain its working capital, capital expenditures and debt refunding requirements within twelve months after the reporting date. And also considers the debt ratio to maintain investor, creditor and market confidence. The Company's capital management strategy is consistent with the prior year, and the debt ratio were 38% and 26% as of December 31, 2018 and 2017, respectively.

(s) Financing activities

Reconciliation of liabilities arising from financing activities were as follows:

	<u>Short-term borrowings</u>	<u>Long-term borrowings</u>	<u>Total liabilities from financing activities</u>
January 1, 2018	\$ 150,000	50,000	200,000
Cash flows			
Proceeds from borrowings	20,000	510,000	530,000
Repayments of borrowings	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Total liabilities from financing activities	<u>\$ 140,000</u>	<u>560,000</u>	<u>700,000</u>

(7) Related-party transactions:

(a) Names and relationship with related parties

<u>Name of related party</u>	<u>Relationship with the Group</u>
Min Aik Technology Co., Ltd (MAT)	The entity with significant influence over the Group
Min Aik Technology (M) Sdn. Bhd. (MAM)	Other related parties (The entity's parent company with significant influence over the Group)
MATC Technology (M) Sdn. Bhd. (MATC)	"
Min Aik Technology (Suzhou) Co., Ltd. (MAY)	"
MAP Technology Holdings Limited (MAPT)	"
Evolution Holdings Limited. (Evolution)	"
Esteem King Limited. (Esteem King)	"
MAP Plastics Pte Ltd. (MAPP)	"
Dongguan Yi Hong Precision Industrial Co., Ltd. (YHP)	"
Amould Plastic Technologies (Suzhou) Co., Ltd. (AMO)	"
Key management personnel	The Group's major management personnel

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(b) Parent company and ultimate controlling company

The Company is the subsidiaries' parent company and the ultimate controlling party.

(c) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions and outstanding balances between the Company and related parties were as follows:

	<u>Sales</u>		<u>Receivables from related parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 15	747	-	-
The entity with significant influence over the Company:				
MAT	156,565	220,489	47,347	102,468
Other related parties:				
MAM	396,303	419,604	96,618	111,116
Others	<u>14</u>	<u>5,965</u>	<u>-</u>	<u>14</u>
	<u>\$ 552,897</u>	<u>646,805</u>	<u>143,965</u>	<u>213,598</u>

The payment term of sales to related parties was O/A 120 days and which term may be changed depend on the Company's operation. The payment terms to non-related parties was normally about two to three months. The selling price to related parties was referred to the market price and negotiated by both parties.

(ii) Purchases

The amounts of purchase transactions and outstanding balances between the Company and related parties were as follows:

	<u>Purchases</u>		<u>Payables to related parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	<u>\$ -</u>	<u>151</u>	<u>-</u>	<u>-</u>

The payment term of purchases from related parties was O/A 120 days. The purchase price from related parties was referred to the market price and negotiated by both parties.

(Continued)

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(iii) Accepting services from and other accounts payable to related parties

	<u>Transaction amount</u>		<u>Other accounts payable to related parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 67	49	52	446
The entity with significant influence over the Company	\$ 5,674	6,212	1,978	2,853
Other related parties	<u>3,322</u>	<u>3,876</u>	<u>165</u>	<u>214</u>
	<u>\$ 9,063</u>	<u>10,137</u>	<u>2,195</u>	<u>3,513</u>

(iv) Rendering services to and other accounts receivable from related parties

	<u>Transaction amount</u>		<u>Other accounts receivable from related parties</u>	
	<u>2018</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ 14,196	13,977	3,783	2,900
The entity with significant influence over the Company	1,019	267	2	-
Other related parties	<u>2,268</u>	<u>3,337</u>	<u>325</u>	<u>490</u>
	<u>\$ 17,483</u>	<u>17,581</u>	<u>4,110</u>	<u>3,390</u>

Abovementioned services income excludes expenses and is recognized under other income.

(v) Property transactions

- 1) The property, plant and equipment purchased from related parties are summarized as follows:

	<u>Transaction amount</u>		<u>Other accounts payable to related parties</u>	
	<u>2017</u>	<u>2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries	\$ <u>19,224</u>	<u>1,787</u>	<u>-</u>	<u>-</u>

- 2) For the years ended December 31, 2018 and 2017, the Company purchased machines from subsidiaries for its operating demand amounting to \$8,898 thousand and \$10,326 thousand, respectively. Aforementioned transactions have been paid \$8,501 thousand and have been recognized as prepayments as of December 31, 2017, and were recognized as property, plant and equipment as of December 31, 2018.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(vi) Guarantee

As of December 31, 2018 and 2017, the Company's guarantees for subsidiaries' bank loan were \$167,460 thousand and \$193,440 thousand, respectively, and actually drawdown amounts were \$44,600 thousand and \$59,818 thousand, respectively.

(d) Key management personnel compensation

	<u>2018</u>	<u>2017</u>
Short-term employee benefits	\$ 12,008	11,586
Post-employment benefits	268	245
Termination benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
Total	<u>\$ 12,276</u>	<u>11,831</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted cash in banks	Short-term borrowings and guarantee for letter of credit	\$ 690	790
Land and buildings	Long-term borrowings	676,768	-
		<u>\$ 677,458</u>	<u>790</u>

(9) Significant contingent liabilities and unrecognized commitment:

(a) The Company's unrecognized contractual commitments were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Purchase commitment	\$ 68,958	6,490
Acquisition of property, plant and equipment	\$ 16,980	24,170

(b) The guarantee notes issued by the Company for the line of credit and for the financing were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Issued guarantee notes	\$ 1,139,658	760,080

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Please refer to note 7 for the Company provided an endorsements and guarantees for subsidiaries' bank loan.

(d) Please refer to note 6(h) for the irrevocable lease contracts entered into by the Group.

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other:

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the year ended December 31					
		2018			2017		
		Cost of Sale	Operating Expense	Total	Cost of Sale	Operating Expense	Total
Employee benefits							
Salary		249,121	77,554	326,675	281,715	69,853	351,568
Labor and health insurance		25,533	5,609	31,142	25,730	6,007	31,737
Pension		10,349	2,893	13,242	10,807	2,983	13,790
Remuneration of directors		-	988	988	-	928	928
Others		8,811	1,927	10,738	9,880	1,550	11,430
Depreciation and amortization		55,791	13,652	69,443	49,818	13,156	62,974
Amortization		9,661	-	9,661	14,777	-	14,777

As of December 31, 2018 and 2017, the Company had 546 and 624 employees, and of which 6 directors were not in concurrent employment, respectively.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(13) Other disclosures:**(a) Information on significant transactions:**

The following were the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company for the year ended December 31, 2018:

(i) Loans to other parties:

(In Thousands of New Taiwan Dollars)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance (Note 3)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Individual funding loan limits (Note 1)	Maximum limit of fund financing (Note 1)
													Item	Value		
1	Esteem King	AMO	Other accounts receivable-related parties	Yes	91,380	-	-	3%	Short-term financing	-	Operating capital	-		-	864,580	864,580

Note 1: For foreign company in which the Company, directly or indirectly, owned 100% of their shares, the individual and total amount available for financing purposes shall not exceed 50% of the Company’s net worth, which was audited or reviewed by Certified Public Accountant.

Note 2: The amounts are approved by the board of directors

Note 3: The highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. The ending balance and actual usage amount during the period was foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(ii) Guarantees and endorsements for other parties:

(In Thousands of New Taiwan Dollars)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for a specific enterprise (Note 1)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount during the period	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 2)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
		Name	Relationship with the Company										
0	The Company	Esteem King	4)	1,729,160	123,820	122,860	-	-	7.11 %	1,729,160	Y	No	No
0	The Company	Evolution	4)	1,729,160	74,875	-	-	-	- %	1,729,160	Y	No	No
0	The Company	AMO	4)	1,729,160	44,600	44,600	44,600	-	2.58 %	1,729,160	Y	No	Yes

Note 1: Relationship with guarantor:

1. Ordinary business relationship.
2. The Company directly or indirectly owned more than 50% of the subsidiary shares.
3. The counter-party directly or indirectly owned more than 50% of the Company’s shares.
4. The Company directly or indirectly owned 90% or more than 90% of subsidiaries’ shares.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The amount of the guarantee provided by the Company to any individual entity shall not exceed 10% of the Company’s net worth. The subsidiaries whose voting shares are 100% owned, directly or indirectly, by the Company shall not exceed the Company’s net worth.

Note 3: The total amount of endorsements/guarantees may not exceed the Company’s net worth.

Note 4: If highest balance of financing to other parties during the period was foreign currencies which were translated to New Taiwan Dollars by the highest exchange rate for current year. If ending balance and actual usage amount during the period were foreign currencies which were translated to New Taiwan Dollars by the exchange rate at the reporting date.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures): None**(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None**

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
The Company	Land and buildings	107.03.28	680,000	According to the contract	Taitien Asset Development Co., Ltd.	-	Not applicable	Not applicable	Not applicable	-	Refer to appraisal report and negotiated with counter-party	manufacture	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In Thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Note
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The company	Min Aik Technology (M) Sdn. Bhd. (MAM)	The entity with significant influence over the Group	(Sale)	396,303	(38) %	Note 1	-	normally two to three months	96,618	37%	
The company	Min Aik Technology Co., Ltd. (MAT)	"	(Sale)	156,565	(15) %	Note 1	-	"	47,347	18%	

Note 1 : The payment is O/A 120 days. However, it can be changed via negotiation.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None

- (ix) Trading in derivative instruments: None

- (b) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of the investee	Investment income (losses)	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value			
The Company	Esteem King	Samoa	Investment holding	511,481	511,481	17,079	100.00 %	944,079	8,945	8,945	
The Company	Evolution	Hong Kong	Investment holding	145,103	78,624	4,600	100.00 %	11,056	(950)	(950)	
Esteem King	MATC	Malaysia	Manufacture and selling hard disk components	127,726	127,726	10,527	20.00 %	107,991	(52,755)	(10,551)	
Esteem King	MAPP	Singapore	Manufacture and selling medical injection and molding	323,449	323,449	10,714	100.00 %	642,022	16,550	16,550	
MAPP	SEB(M)	Malaysia	Suspension	-	-	-	- %	-	(641)	(641)	Note 1

Note 1: It has been disposed in second-quarter of 2018.

(Continued)

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Notes to the Parent Company Only Financial Statements

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In Thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee (Note 2)	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings as of December 31, 2018
					Outflow	Inflow						
AMO	Design and manufacture automatic machines	213,774	Note1	141,923	-	-	141,923	(82,583)	100%	(82,583)	261,596	-
Dongguan Yi Hong	Manufacture metal products and molding	135,947	Note1	78,624	57,323	-	135,947	(265)	100%	(265)	8,577	-

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
277,947	277,947	1,037,496

Note 1: The Company invests subsidiaries which are registered in the third-country and then indirectly invests in Mainland China via such subsidiaries.

Note 2: The Company recognized investment income (losses) by subsidiaries' financial statements which was audited by the Certified Public Accountant who audited the Company's financial statements.

(iii) Significant transactions:

The significant inter-company transactions with the subsidiary in Mainland China, which were eliminated in the preparation of consolidated financial statements, and are disclosed in "Information on significant transactions"

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2018.

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of cash and cash equivalents

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Foreign amount</u>	<u>Exchange rate</u>	<u>Amount</u>
Cash on hand and petty cash			\$ 271
Cash in banks:			
Check deposits			153
Demand deposits			140,690
Foreign currency deposits:			
USD	\$ 8,995 thousand	30.715	276,294
SGD	\$ 3 thousand	22.48	<u>69</u>
			<u>\$ 417,477</u>

Statement of notes and accounts receivable

<u>Customer Name</u>	<u>Description</u>	<u>Amount</u>
Notes and accounts receivable from non-related parties		
Corporation SE(T)	Operating revenues	\$ 30,493
Corporation AM	"	17,083
Corporation MI	"	10,258
Corporation CS	"	10,095
Corporation SE	"	7,782
Corporation MT(Z)	"	7,586
Corporation KS	"	7,227
Corporation CH	"	7,019
Others (less than 5% for each customer)	"	<u>20,059</u>
Total		117,602
Less: Loss allowance		<u>(1,188)</u>
Total		<u>\$ 116,414</u>

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of inventories

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net realizable value
Finished goods	\$ 108,432	129,101
Work in process	24,680	20,417
Raw materials	21,947	24,030
Subtotal	155,059	173,548
Less: Allowance for inventory valuation and obsolescence	(19,773)	
	\$ 135,286	

Statement of other current assets

Item	Description	Amount
Income tax refund receivable	The refundable value-add tax and income tax	\$ 28,377
Other receivables-other	Receivables from sales of scrap	4,698
Other receivables from related parties	Service income from related parties	4,110
Prepaid expenses	Prepaid insurance, operation expenses, and so on	2,810
Others (less than 5% for each item)		1,095
Total		\$ 41,090

MIN AIK PRECISION INDUSTRIAL CO., LTD.
Statement of change in property, plant and equipment
December 31, 2018
(Expressed in thousands of New Taiwan Dollars)

Please refer to note 6(e) to this parent company only financial statement for details.

Statement of other non-current assets

<u>Item</u>	<u>Amount</u>
Refundable deposits	\$ 8,919
Prepaid pension cost	19,569
Long-term prepaid expenses	6,010
Deferred income tax assets	<u>4,575</u>
	<u><u>\$ 39,073</u></u>

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of changes in investments accounted for using equity method

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Investee Name</u>	<u>Beginning balance</u>		<u>Addition</u>		<u>Decrease</u>		<u>Others adjustments</u>		<u>Ending balance</u>			<u>Market value or net asset value</u>	<u>Guarantee or pledged</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>% of Ownership</u>	<u>Amount</u>		
Valued with equity method:													
Esteem King Limited	17,079	\$ 934,148	-	-	-	-	-	9,931 (note 1)	17,079	100.00 %	944,079	944,079	none
Evolution Holdings Limited	2,500	(50,408)	2,100	66,479	-	-	-	(5,015)(note 2)	4,600	100.00 %	11,056	11,056	none
Recognized as other liabilities	-	<u>50,408</u>	-	<u>-</u>	-	<u>-</u>	-	<u>(50,408)</u>	-	- %	<u>-</u>	<u>-</u>	
		<u>\$ 934,148</u>		<u>66,479</u>		<u>-</u>		<u>(45,492)</u>			<u>955,135</u>	<u>955,135</u>	

Note 1: Including gain on investments accounted for using equity method amounting to \$8,945 and exchange difference on translation of foreign financial statements amounting to \$986 thousand.

Note 2: Including loss on investments accounted for using equity method amounting to \$950 thousand and exchange difference on translation of foreign financial statements amounting to \$(4,065) thousand.

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of short-term borrowings

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Description</u>	<u>Ending balance</u>	<u>Contract period</u>	<u>Range of interest rate</u>	<u>Loan commitment</u>	<u>Guarantee or pledged</u>
Fubon Bank	Unsecured bank loans	\$ 110,000	Within one year	1%	240,000	None
DBS Bank	"	<u>30,000</u>	"	1%	100,000	"
		<u>\$ 140,000</u>				

Statement of accounts payable

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Company SC	Generated from operation	\$ 29,824
Company SY	"	22,655
Company YHH	"	13,145
Company SSR	"	11,373
Company WS	"	10,108
Others (less than 5% for each item)	"	<u>39,715</u>
Total		<u>\$ 126,820</u>

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of long-term borrowings

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Creditor</u>	<u>Loan commitment</u>	<u>Amount</u>		<u>Contract period</u>	<u>Interest rate</u>	<u>Guarantee or pledged</u>
		<u>More than one year</u>	<u>With one year</u>			
Hua Nan Commercial Bank	\$ 100,000	\$ 50,000	-	106.1.26~108.1.26	1.18%	None
Cathay United Bank	510,000	48,000	462,000	107.4.16~116.4.16	1.61167%	Land and buildings
	<u>\$ 610,000</u>	<u>\$ 98,000</u>	<u>462,000</u>			

Statement of other current liabilities

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other accrued expenses	Payables to service, fuel and daily expenditures	\$ 33,173
Other payables to related parties	Service payable to related parties	2,195
Mould payables	Material for mould and processing expenses	12,957
Equipment payables	Acquisition of equipment	11,010
Employment payables	Salaries and wages, social security expenses and pension cost	10,300
Maintenance payables	Repair and maintenance for plants and staff housing	10,290
Others (less than 5% for each item)	Trade promotion service charges, foreign warehouse, supplies, income tax and others	17,162
Total		<u>\$ 97,087</u>

MIN AIK PRECISION INDUSTRIAL CO., LTD.**Statement of deferred tax liabilities****December 31, 2018****(Expressed in thousands of New Taiwan Dollars)**

<u>Item</u>	<u>Amount</u>
Deferred tax liabilities	\$ <u><u>50,822</u></u>

Statement of operating revenues

<u>Item</u>	<u>PCS</u>	<u>Amount</u>
Hard disk drive stamping components	185,031 thousand	\$ 846,495
Other electronic stamping components	55,039 thousand	179,862
Others	22 thousand	<u>5,939</u>
Total		<u><u>\$ 1,032,296</u></u>

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of operating costs

For the year ended December 31, 2018

(In thousands of New Taiwan Dollars)

Item	Amount
Merchandising:	
Merchandise, beginning of year	\$ -
Add: Purchases	30
Less: Transferred	-
Cost of goods sold	30
Manufacturing:	
Raw materials used:	
Raw materials, beginning of year	27,052
Add: Purchases (excluding sales of scrap \$68,829 thousands)	371,990
Less: Raw materials, end of year	21,947
Transferred	16,059
Subtotal	361,036
Direct labor	170,905
Manufacturing expenses	393,888
Manufacturing cost	925,829
Add: Work in process, beginning of year	23,561
Less: Work in process, end of year	24,680
Transferred	13,382
Cost of finished goods	911,328
Add: Finished goods, beginning of year	84,791
Less: Finished goods, end of year	108,432
Transferred	23,715
Cost of goods sold	863,972
Add: Unallocated fixed overheads due to idle capacity	28,888
Cost of raw materials and work in process sold	15,668
Loss on inventory impairment and obsolescence	12,433
Gain on physical inventory and other operating cost	2,345
Operating costs	\$ 923,336

MIN AIK PRECISION INDUSTRIAL CO., LTD.

Statement of Operating Expense

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>Research and development Expenses</u>
Salary expenses	\$ 7,805	56,606	24,559
Export expenses	25,259	-	2
Tooling and moulding expense	-	-	2,511
Repairs and maintenance expenses	7	6,342	77
Depreciation expenses	-	11,445	2,207
Service charges	130	8,576	39
Others (note)	<u>3,459</u>	<u>23,491</u>	<u>4,065</u>
Total	<u>\$ 36,660</u>	<u>106,460</u>	<u>33,460</u>

Note: less than 5% for each item