# Yungtay Engineering Co., Ltd. and Subsidiaries

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

建昇財稅聯合會計師事務所
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## Yungtay Engineering Co., Ltd.
## and Subsidiaries

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# REPRESENTATION LETTER

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” as of and for the year ended December 31, 2018 are the same as those required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financials Reporting Standard 10 “Consolidated Financial Statements.” Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Consequently, Yungtay Engineering Co., Ltd. and its subsidiaries do not prepare a separate set of consolidated financial statements.

Very truly yours,

Yungtay Engineering Co., Ltd.

By

______________________________

Chairman: Hsu, Ray-Gin

March 15, 2019

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# INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Yungtay Engineering Co., Ltd.

**Opinion**

We have audited the accompanying consolidated financial statements of Yungtay Engineering Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018, and 2017, and the consolidated statements of comprehensive income, cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

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**Key Audit Matters**

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

Recognition of sales

Please refer to Note 6(21) to the consolidated financial statements for the details of the information about the sale of goods associated with elevators and related maintenance, which accounts for 93.83% of the total operating revenue.

The main clients come from construction industry, which have already signed the contract with regard to the sales of elevator and maintenance. The timing for revenue recognition lies in the point when the elevator is installed completely and are examined and qualified by the competent authority, and the maintenance is recognized over time followed by the designated service time in accordance with the contract. Since the timing for revenue recognition and correct attribution of revenue is subject to the significant judgment and decision from the management, it has been identified a key audit matter. Please refer to Note 4(20) to the consolidated financial statements for the details of the information and accounting policy about the recognition of sales.

Our key audit procedures performed in respect of the above area included: review the material contracts in order to evaluate the sales of elevators, maintenance and related products and services to be recognized in the right time and to be reasonable.

Evaluation of inventories

The carrying amount of inventories was NT$5,233,556 thousand, which accounted for 24% of the total assets in the consolidated balance sheet and could have a material impact on the consolidated financial statements. Inventories tended to be obsolete and caused damaged easily because of rapid development of technology in the production of elevator and uncertainty in the demand market. The estimate of net realizable value of inventories is subject to the management's subjective judgment. Consequently, the evaluation of inventories' measurement at the lower of cost or net realizable value, together with the provision of the allowance for the inventories decline loss, has been identified as a key audit matter.

Our key audit procedures performed in respect of the above area included: understood and tested the design and operating effectiveness of internal controls of inventories; obtained the evaluation data of net realizable value of inventories prepared by management; implemented the computation through the way of sampling to assure the correctness of the provision of the allowance for the inventories decline and verified and compared the contract price of recent actual sales to understood if there was any decline happened to the inventories. Moreover, observed year-end inventory physical count and executed sampling of inventory physical count to assess the adequacy of the methods used by management to identify and monitor if there was any obsolescent inventories.

**Other Matter**

We have also audited the parent company only financial statements of Yungtay Engineering Co., Ltd. as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as

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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, of has no realistic alternative but to do so.

Those charged with governance (including members of audit committee) are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence on the financial information of components constituting the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with statements 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.

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

The engagement partners on the audit resulting in this independent auditors' report are Chen, Jen-Chi and Chen, Xiu-li.

A member of Russell Bedford International
Taipei, Taiwan (Republic of China)
March 15, 2019

*Notice to Readers*

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in the Republic of China. For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Balance Sheets - Asset
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Account | Note | 31-Dec-18 Amount | % | 31-Dec-17 Amount | % |
|---|---|---|---|---|---|---|
| 11xx | Current assets | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | $ 3,875,535 | 18 | 4,135,644 | 17 |
| 1110 | Financial assets at fair value through profit or loss -current | 6(2) | 529,668 | 2 | 211,202 | 1 |
| 1121 | Financial assets at fair value through other comprehensive income-current | 6(3) | 86,156 | - | - | - |
| 1125 | Available-for-sale financial assets | 6(4) | - | - | 95,957 | - |
| 1150 | Notes receivable, net | 6(5) | 387,530 | 2 | 311,188 | 1 |
| 1170 | Accounts receivable, net | 6(5) | 3,292,254 | 16 | 3,334,774 | 14 |
| 1200 | Other receivables | | 8,736 | - | 19,774 | - |
| 130x | Inventories | 6(6) | 5,233,556 | 24 | 6,535,659 | 27 |
| 1410 | Prepayments | 6(7) | 64,509 | - | 406,875 | 2 |
| 1460 | Non-current assets held for sale | 6(8) | 52,167 | - | 50,272 | - |
| 1478 | Refundable deposits | 6(9) | 220,233 | 1 | 415,775 | 2 |
| 1470 | Other current assets | | 91 | - | 5,923 | - |
| 1480 | Incremental costs of obtaining contracts-current | 6(7) | 154,208 | 1 | - | - |
| 11xx | Total current assets | | 13,904,643 | 64 | 15,523,043 | 64 |
| 15xx | Non-current assets | | | | | |
| 1517 | Financial assets at fair value through other comprehensive income-non-current | 6(3) | 87,824 | - | - | - |
| 1543 | Non-current financial assets measured at cost | 6(10) | - | - | 88,932 | - |
| 1550 | Investments accounted for using equity method | 6(11) | 375,889 | 2 | 381,021 | 2 |
| 1600 | Property, plant and equipment | 6(12) | 5,419,088 | 26 | 5,811,956 | 25 |
| 1760 | Investment property, net | 6(13) | 818,112 | 5 | 856,203 | 4 |
| 1780 | Intangible assets | 6(14) | 52,622 | - | 185,577 | 1 |
| 1840 | Deferred tax assets | 6(24) | 633,188 | 2 | 737,997 | 3 |
| 1915 | Prepayments for equipment | 6(12) | 7,494 | - | 17,143 | - |
| 1920 | Refundable deposits | 6(9) | 79,978 | - | 62,886 | - |
| 1940 | Long-term notes receivable | | 22,029 | | 540 | - |
| 1985 | Long-term prepaid rents | 6(15) | 234,033 | 1 | 244,682 | 1 |
| 1990 | Advances to employees and official business | | 9,624 | - | 13,337 | - |
| 1990 | Other non-current assets, others | 12(1) | 5,520 | - | 5,520 | - |
| 15xx | Total non-current assets | | 7,745,401 | 36 | 8,405,794 | 36 |
| 1xxx | Total assets | | $ 21,650,044 | 100 | 23,928,837 | 100 |

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries

Consolidated Balance Sheets – Liabilities and Equity

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Account | Note | 31-Dec-18 Amount | 31-Dec-18 % | 31-Dec-17 Amount | 31-Dec-17 % |
|---|---|---|---|---|---|---|
| 21xx | Current liabilities | | | | | |
| 2130 | Contract liabilities | 6(17) | $ 6,049,968 | 28 | - | - |
| 2120 | Financial liabilities at fair value through profit or loss | 6(2) | - | - | 5,529 | - |
| 2150 | Notes payable | | 332,280 | 2 | 355,411 | 1 |
| 2170 | Accounts payable | | 1,699,789 | 8 | 2,002,065 | 8 |
| 2200 | Other payables | 6(16) | 856,354 | 4 | 1,007,579 | 4 |
| 2230 | Current tax liabilities | | 233,190 | 1 | 67,039 | - |
| 2310 | Advances received | 6(17) | - | - | 7,438,298 | 31 |
| 2313 | Deferred revenue | 6(21) | 269,051 | 1 | 322,221 | 1 |
| 2399 | Other current liabilities | | 8,776 | - | 1,772 | - |
| 21xx | Total current liabilities | | 9,449,408 | 44 | 11,199,914 | 45 |
| 25xx | Non-current liabilities | | | | | |
| 2570 | Deferred income tax liabilities | 6(24) | 6,096 | - | 6,868 | - |
| 2630 | Long-term deferred revenue | 6(21) | 91,131 | - | 125,680 | 1 |
| 2640 | Net defined benefit liabilities-non-current | 6(19) | 513,522 | 2 | 716,714 | 4 |
| 2645 | Deposit received | 6(18) | 118,298 | 1 | 114,725 | - |
| 25xx | Total non-current liabilities | | 729,047 | 3 | 963,987 | 5 |
| 2xxx | Total liabilities | | 10,178,455 | 47 | 12,163,901 | 50 |
| 31xx | Total equity attributable to owners of parent | | | | | |
| 3100 | Capital stock | 6(20) | 4,108,200 | 19 | 4,108,200 | 17 |
| 3200 | Capital surplus | 6(20) | 270,267 | 1 | 264,835 | 1 |
| 3300 | Retained earnings | 6(20) | | | | |
| 3310 | Legal reserve | | 3,009,594 | 14 | 2,896,805 | 12 |
| 3350 | Unappropriated earnings | | 3,978,068 | 18 | 4,236,232 | 18 |
| 3400 | Other equity | 6(20) | | | | |
| 3410 | Exchange differences on translation of foreign operations | | 24,756 | - | 155,476 | 1 |
| 3420 | Unrealized gain (loss) on financial assets at fair value through other comprehensive income | | (25,679) | - | - | - |
| 3425 | Unrealized gain (loss) on financial assets available-for-sale | | - | - | (8,719) | - |
| 3500 | Treasury stock | 6(20) | (69,411) | - | (69,411) | - |
| 31xx | Equity attributable to owners of parent | | 11,295,795 | 52 | 11,583,418 | 49 |
| 36xx | Non-controlling interest | | 175,794 | 1 | 181,518 | 1 |
| 3xxx | Total equity | | 11,471,589 | 53 | 11,764,936 | 50 |
| 3x2x | Total liabilities and equity | | $ 21,650,044 | 100 | 23,928,837 | 100 |

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Comprehensive Income
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Account | Note | 2018 Amount | 2018 % | 2017 Amount | 2017 % |
|---|---|---|---|---|---|---|
| 4000 | Operating revenue | 6(21) | $ 14,858,628 | 100 | 16,752,217 | 100 |
| 5000 | Operating costs | 6(6) | (11,422,890) | (77) | (12,297,354) | (73) |
| 5900 | Gross profits from operations | | 3,435,738 | 23 | 4,454,863 | 27 |
| 6000 | Operating expenses | | | | | |
| 6100 | Selling expenses | | (770,035) | (5) | (1,050,712) | (6) |
| 6200 | Administrative expenses | | (1,221,885) | (8) | (1,442,280) | (9) |
| 6300 | Research and development expenses | | (468,184) | (3) | (482,948) | (3) |
| | Total operating expenses | | (2,460,104) | (16) | (2,975,940) | (18) |
| 6900 | Net operating income | | 975,634 | 7 | 1,478,923 | 9 |
| 7000 | Non-operating income and expenses | | | | | |
| 7010 | Other income | 6(22) | 76,041 | 1 | 33,729 | - |
| 7020 | Government grants | 6(22) | 11,891 | - | 43,452 | - |
| 7020 | Other gains and losses | 6(22) | (17,358) | - | 4,571 | - |
| 7050 | Finance costs | 6(22) | (105) | - | (89) | - |
| 7060 | Share of (loss) profit of associates accounted for using equity method | 6(11) | 8,566 | - | (11,683) | - |
| | Total non-operating income and expenses | | 79,035 | 1 | 69,980 | - |
| 7900 | Income before income tax | | 1,054,669 | 8 | 1,548,903 | 9 |
| 7950 | Income tax expenses | | | | | |
| 7951 | Current income tax expenses | 6(24) | (226,827) | (2) | (152,092) | (1) |
| 7952 | Deferred income tax expenses | 6(24) | (96,099) | (1) | (239,642) | (1) |
| 8000 | Current income from continuing operations | | 731,743 | 5 | 1,157,169 | 7 |
| 8100 | Gains and losses from discontinuing operation, net | | - | - | - | - |
| 8200 | Net income for the year | | 731,743 | 5 | 1,157,169 | 7 |
| 8300 | Other comprehensive income (loss), net | | | | | |
| 8310 | Items that will not be reclassified subsequently to profit of loss: | | | | | |
| 8311 | Re-measurement of defined benefits plans | 6(19) | (5,827) | - | (97,225) | - |
| 8316 | Unrealized loss on investment in equity instruments designated as at fair value through other comprehensive | 6(20) | (9,801) | - | - | - |
| 8321 | Share of remeasurement of defined benefits plans of associates | | (40) | - | (1,263) | - |
| 8326 | Share of unrealized loss on investment in equity instruments designated as at fair value through other comprehensive income of associates | 6(20) | (909) | - | - | - |
| 8349 | Income tax benefit related to items that will not be reclassified subsequently | 6(24) | 1,135 | - | 16,529 | - |
| | Total items not reclassified into gains and losses | | (15,442) | - | (81,959) | - |
| 8360 | Items that may be reclassified subsequently to profit of loss: | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 6(20) | (126,295) | (1) | (205,088) | (1) |
| 8362 | Unrealized gains (losses) on available-for-sale financial assets | 6(20) | - | - | (7,743) | - |
| 8370 | Share of other comprehensive gains and losses of associates accounted for using equity method | 6(20) | (4,425) | - | (3,938) | - |
| | Total items to be reclassified into gains and losses | | (130,720) | (1) | (216,769) | (1) |
| 8500 | Total comprehensive income for the year | | $ 585,581 | 4 | 858,441 | 6 |
| 8600 | Profit attributable to | | | | | |
| 8610 | Profit attributable to owners of parent | | $ 674,747 | 5 | 1,127,886 | 7 |
| 8620 | Profit attributable to non-controlling interests | | $ 56,996 | - | 29,283 | - |
| | | | $ 731,743 | 5 | 1,157,169 | 7 |
| 8700 | Comprehensive income attributable to | | | | | |
| 8710 | Comprehensive income attributable to owners of parent | | $ 528,585 | 4 | 829,158 | 7 |
| 8720 | Comprehensive income attributable to non-controlling interests | | $ 56,996 | - | 29,283 | - |
| | | | $ 585,581 | 4 | 858,441 | 7 |
| | Earnings per share (in NT dollar) | 6(25) | | | | |
| 9750 | Basic earnings per share (in NT dollar) | | $ 1.65 | | 2.76 | |

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yungtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Account | Equity attributable to owners of parent | | | | | | | | | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Retained earnings | | Other equity | | | | | | |
| | Capital share | Capital surplus | Legal reserve | Unappropriated earnings | Exchange differences on translation of foreign financial statements | Unrealized gains (losses) on financial assets at fair value through other comprehensive income | Unrealized gain (loss) on available-for-sale financial assets | Treasury stock | Total | | |
| Balance as of January 1, 2017 | $ 4,108,200 | 256,332 | 2,741,305 | 4,331,773 | 365,147 | - | (1,621) | (69,411) | 11,731,725 | 178,780 | 11,910,505 |
| Appropriation & distribution of earnings in 2016 | | | | | | | | | | | |
| Legal reserve | | | 155,500 | (155,500) | | | | | - | - | - |
| Cash dividends | | | | (985,968) | | | | | (985,968) | - | (985,968) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | | 5,112 | | | | | | | 5,112 | - | 5,112 |
| Overdue dividends unclaimed | | 3,319 | | | | | | | 3,319 | - | 3,319 |
| Adjustments to share of changes in equities of associates | | 72 | | | | | | | 72 | - | 72 |
| Net income in 2017 | | | | 1,127,886 | | | | | 1,127,886 | 29,283 | 1,157,169 |
| Other comprehensive income (loss) in 2017 | | | | (81,959) | (209,671) | | (7,098) | | (298,728) | - | (298,728) |
| Total comprehensive income (loss) in 2017 | - | - | - | 1,045,927 | (209,671) | - | (7,098) | - | 829,158 | 29,283 | 858,441 |
| Non-controlling interests from cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (26,545) | (26,545) |
| Balance as of December 31, 2017 | $ 4,108,200 | 264,835 | 2,896,805 | 4,236,232 | 155,476 | - | (8,719) | (69,411) | 11,583,418 | 181,518 | 11,764,936 |
| Balance as of January 1, 2018 | $ $4,108,200 | 264,835 | 2,896,805 | 4,236,232 | 155,476 | - | (8,719) | (69,411) | 11,583,418 | 181,518 | 11,764,936 |
| Effect of retrospective application of IFRS9 | - | - | - | 6,250 | - | (14,969) | 8,719 | | - | | - |
| Restated balance as of January 1, 2018 | 4,108,200 | 264,835 | 2,896,805 | 4,242,482 | 155,476 | (14,969) | - | (69,411) | 11,583,418 | 181,518 | 11,764,936 |
| Appropriation & distribution of earnings in 2017 | | | | | | | | | | | |
| Legal reserve | | | 112,789 | (112,789) | | | | | - | - | - |
| Cash dividends | | | | (821,640) | | | | | (821,640) | - | (821,640) |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries | | 4,259 | | | | | | | 4,259 | - | 4,259 |
| Overdue dividends unclaimed | | 1,170 | | | | | | | 1,170 | - | 1,170 |
| Adjustments to share of changes in equities of associates | | 3 | | | | | | | 3 | - | 3 |
| Net income in 2018 | | | | 674,747 | | | | | 674,747 | 56,996 | 731,743 |
| Other comprehensive income (loss) in 2018 | | | | (4,732) | (130,720) | (10,710) | - | | (146,162) | - | (146,162) |
| Total comprehensive income (loss) in 2018 | - | - | - | 670,015 | (130,720) | (10,710) | - | - | 528,585 | 56,996 | 585,581 |
| Non-controlling interests from cash dividends distributed by subsidiaries | - | - | - | - | - | - | - | - | - | (62,720) | (62,720) |
| Balance as of December 31, 2018 | $ 4,108,200 | 270,267 | 3,009,594 | 3,978,068 | 24,756 | (25,679) | - | (69,411) | 11,295,795 | 175,794 | 11,471,589 |

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

Yengtay Engineering Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Account | 2018 | 2017 |
|---|---|---|---|
| AAAA | Cash flows from operating activities: | | |
| A10000 | Income before income tax | $ 1,054,669 | 1,548,903 |
| A20000 | Adjustments: | | |
| A20010 | Adjustments to reconcile profit (loss) that would not affect the cash flows | | |
| A20100 | Depreciation expense | 384,751 | 393,667 |
| A20200 | Amortization expense | 13,909 | 17,105 |
| A20300 | Provision for bad debt expense | (6,632) | 78,508 |
| A20400 | Financial asset at fair value through profit or loss | 4,756 | 879 |
| A20900 | Interest expense | 105 | 89 |
| A29900 | Expenses recognized from long-term prepaid rents | 6,462 | 9,431 |
| A21200 | Interest income | (63,635) | (27,175) |
| A21300 | Dividend income | (12,406) | (6,554) |
| A22300 | Share of loss (gain) of associates accounted for using equity method | (8,566) | 11,683 |
| A22500 | Loss (gain) on disposal of property, plant and equipment, net | (10,123) | (3,603) |
| A22500 | Loss on obsolescence of property, plant and equipment | 3,045 | 18,168 |
| A22500 | Gain on disposal of other non-current assets | - | (3,780) |
| A22700 | Loss on disposal of Investment property | 467 | 96 |
| A23000 | Gain on disposal of non-current assets available-for-sale | - | 464 |
| A23100 | Loss (gain) on disposal of investments | - | - |
| A23700 | Allowance for inventory valuation | (49,759) | 16,316 |
| A23700 | Impairment loss of goodwill | (590) | - |
| A23700 | Loss arising from the dedine of goodwill | 123,888 | 74,292 |
| A23800 | Gain on reversal of impairment losses on non-current assets available-for-sale | 414 | 5,478 |
| A24100 | Unrealized foreign exchange loss | 29,705 | 28,380 |
| A20010 | Total adjustments to reconcile profit (loss) | 415,791 | 613,444 |
| A30000 | Change in operating assets and liabilities | | |
| A31000 | Change in operating assets | | |
| A31110 | (Increase) decrease in financial assets held for sale | - | 291,188 |
| A31115 | (Increase) decrease in financial assets mandatorily classified as at fair value through profit or loss | (316,474) | - |
| A31130 | (Increase) decrease in notes receivable, net | (97,831) | (20,419) |
| A31150 | (Increase) decrease in accounts receivable, net | 36,923 | 887,553 |
| A31180 | (Increase) decrease in other receivables | 9,309 | 3,698 |
| A31200 | (Increase) decrease in inventory | 1,351,531 | 1,481,159 |
| A31230 | (Increase) decrease in prepayments | 119,427 | 77,825 |
| A31240 | (Increase) decrease in other current assets | 246 | (465) |
| A31270 | (Increase) decrease in incremental costs of obtaining contracts-current | 68,731 | - |
| A31000 | Total change in operating assets | 1,171,862 | 2,720,539 |
| A32000 | Change in operating liabilities | | |
| A32125 | Increase (decrease) in contract liabilities | (1,388,330) | - |
| A32130 | Increase (decrease) in notes payable | (23,131) | (29,345) |
| A32150 | Increase (decrease) in accounts payable | (302,276) | (536,446) |
| A32180 | Increase (decrease) in other payables | (136,240) | (255,683) |
| A32210 | Increase (decrease) in unearned revenue | - | (1,928,798) |
| A32230 | Increase (decrease) in other current liabilities | 256 | 164 |
| A32240 | Increase (decrease) in defined benefit liabilities, net | (209,019) | (861,347) |
| A23990 | Increase (decrease) in deferred revenue | (87,719) | (71,693) |
| A32000 | Total change in operating liabilities | (2,146,459) | (3,683,148) |
| A30000 | Total change in operating assets and liabilities | (974,597) | (962,609) |

## Yengtay Engineering Co., Ltd. and its Subsidiaries
## Consolidated Statements of Cash flows
(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Account | 2018 | 2017 |
|---|---|---|---|
| A20000 | Total adjustments | (558,806) | (349,165) |
| A33100 | Interest received | 65,335 | 28,037 |
| A33200 | Dividends received | 20,703 | 30,156 |
| A33300 | Interest paid | (105) | (89) |
| A33500 | Income tax paid | (60,096) | (320,869) |
| AAAA | Net cash generated from operating activities | (532,969) | 936,973 |
| BBBB | Cash flow from investing activities | | |
| B00030 | Reduction in capital from financial assets at fair value through other comprehensive income | 1,108 | - |
| B02600 | Disposal of non-current assets available-for-sale | - | 4,887 |
| B02700 | Acquisition of property, plant and equipment (Note 6(26)) | (71,837) | (194,050) |
| B02800 | Proceeds from disposal of property, plant and equipment | 56,873 | 25,797 |
| B02800 | Proceeds from disposal of other assets-golf certificate | - | 9,300 |
| B03800 | Decrease in refundable deposits | 177,750 | 152,137 |
| B04500 | Acquisition of intangible assets | (3,768) | (6,607) |
| B05500 | Disposal of investment property | 8,021 | 3,513 |
| B06700 | Decrease in other non-current assets | 4,413 | 3,387 |
| B07100 | (Increase) in prepayments on equipment | (7,492) | (16,394) |
| BBBB | Net cash flows in investing activities | 165,068 | (18,030) |
| CCCC | Cash flows from financing activities | | |
| C03100 | Decrease in deposits received | 3,573 | (31,832) |
| C04300 | Increase in other non-current liabilities | - | (447) |
| C04500 | Cash dividends paid | (880,101) | (1,007,401) |
| C09900 | Other-overdue dividends unclaimed | 1,170 | 3,319.00 |
| CCCC | Net cash flows from financing activities | (875,358) | (1,036,361) |
| DDDD | Impact of change in exchange rate on cash and cash equivalents | (71,519) | (107,975) |
| EEEE | Net increase (decrease) in cash and cash equivalents | (260,109) | (225,393) |
| E00100 | Cash and cash equivalents at the beginning of year | 4,135,644 | 4,361,037 |
| E00200 | Cash and cash equivalents at the end of year | $ 3,875,535 | 4,135,644 |

(Notes attached are part of the consolidated financial statements)

Chairman: (sealed) Manager: (sealed) Accounting Supervisor: (sealed)

**Yungtay Engineering Co., Ltd.**
**Notes to Consolidated Financial Statements**
**For the years ended December 31, 2018 and 2017**
**(Amounts in Thousands of New Taiwan Dollars, unless specified otherwise)**

## 1. GENERAL

Yungtay Engineering Co., Ltd. ("YTEC" or the "Company"), a Republic of China (R.O.C.) corporation, was incorporated on July 9, 1966. YTEC is engaged mainly in manufacturing and selling all kinds of elevators, escalators and related spare parts and components for providing installation and maintenance. The Principal operating items of YTEC's subsidiaries are described in Note 4(3). The address of its registered office and principal place of business is 11F, No.99, Fu-Hsin N. Rd., Taipei, Taiwan, R.O.C.. YTEC's shares were listed on the Taiwan Stock Exchange (TWSE) in November, 1989.

The number of employees of the Company and its subsidiaries (collectively referred herein as the "Group") was 5,196 and 5,149 as of December 31, 2018 and 2017, respectively.

## 2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were approved and authorized for issue by the Board of Directors on March 15, 2019.

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

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

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have any significant effect on the Company and its subsidiaries' (collectively as the "Group") accounting policies:

a. IFRS 9 "Financial Instruments" and related amendment

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

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

Classification, measurement and impairment of financial assets

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

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

| | Measurement Category | | Carrying Amount | | |
|---|---|---|---|---|---|
| Financial Assets | IAS 39 | IFRS 9 | IAS 39 | IFRS 9 | Note |
| Cash and cash equivalents | Loans and receivables | Amortized cost | 4,135,644 | 4,135,644 | (2) |
| Equity securities | Available-for-sale | Fair value through other comprehensive income (FVTOCI) | 95,957 | 95,957 | (1) |
| Equity securities | Measured at cost | FVTOCI | 88,932 | 88,932 | (1) |
| Notes, accounts receivable (including related parties) and other receivables | Loans and receivables | Amortized cost | 3,665,736 | 3,665,736 | (2) |
| Refundable deposits | Loans and receivables | Amortized cost | 478,661 | 478,661 | (2) |

| Financial Assets | Carrying Amount as of December 31, 2017 (IAS 39)) | Reclassifi - cations | Remea - surements | Carrying Amount as of January 1, 2018 (IFRS 9) | Retained Earnings Effect on January 1, 2018 | Other Equity Effect on January 1, 2018 | Note |
|---|---|---|---|---|---|---|---|
| FVTOCI -Equity instruments | $ - | 184,889 | - | 184,889 | - | 8,719 | (1) |
| Add: From available for sale | 95,957 | (95,957) | - | - | - | (8,719) | (1) |
| Add: Measured at cost | 88,932 | (88,932) | - | - | 3,008 (Note 1) | (3,008) | (1) |
| Amortized cost | - | 8,280,041 | - | 8,280,041 | - | - | (2) |
| Add: From loans & receivables | 8,280,041 | (8,280,041) | - | - | - | - | (2) |
| Total | $ 8,464,930 | - | - | 8,464,930 | 3,008 | (3,008) | |

| | Carrying Amount as of December 31, 2017 (IAS 39) | Adjustments Arising from Initial Application | Carrying Amount as of January 1, 2018 (IFRS 9) | Retained Earnings Effect on January 1, 2018 | Other Equity Effect on January 1, 2018 | Note |
|---|---|---|---|---|---|---|
| Investments accounted for using equity method | $ 381,021 | - | 381,021 | 3,242 (Note) | (3,242) | (3) |

Note: Reversed from beginning retained earnings.

(a) As equity investments that were previously classified as available-for-sale financial assets under IAS 39 are not held for trading, the Group elected to designate all of these investments as at FVTOCI under IFRS 9. As a result, the related other equity-unrealized gain or loss on available -for-sale financial assets of NT$8,719 thousand is reclassified to increase other equity - unrealized gain or loss on financial assets at FVTOCI.

As equity investments previously measured at cost for unlisted stocks under IAS 39 are remeasured at fair value under IFRS 9, the adjustments would result in an increase in financial assets at FVTOCI of NT$0 due to minor differences thousand, thus resulting in an increase in other equity-unrealized gain or loss on financial assets at FVTOCI of NT$0 thousand and a decrease in non-controlling interests of NT$0 thousand, respectively, on January 1, 2018.

For those equity investments previously measured at cost financial assets under IAS 39, the impairment losses that the Group had recognized have been accumulated in retained earnings. Since these investments were designated as at FVTOCI under IFRS 9 and no impairment assessment is required, the adjustments would result in a decrease in other equity - unrealized gain or loss on financial assets at FVTOCI of NT$3,008 thousand and an increase in retained earnings of NT$3,008 thousand on January 1, 2018.

(b) Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and refundable deposits that were classified as loans and receivables under IAS 39 are now classified at amortized cost with assessment of future 12-month or lifetime expected credit loss under IFRS 9.

(c) With the retrospective adoption of IFRS 9 by associates accounted for using equity method, the corresponding adjustments made by the Group would result in an increase in investments accounted for using equity method of NT$0 thousand, a decrease in other equity- unrealized gain or loss on financial assets at FVTOCI of NT$3,242 thousand, and an increase in retained earnings of NT$3,242 thousand on January 1, 2018.

b. IFRS 15 "Revenue from Contracts with Customers" and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18, "Revenue," IAS 11, "Construction Contracts," and a number of revenue-related interpretations. Please refer to Note 4(20) for information relating to the relevant accounting policies.

The Group elected only to retrospectively apply IFRS 15 to contracts that were not completed on January 1, 2018 and elected not to restate prior reporting period with the cumulative effect of the initial application recognized at the date of initial application.

The impact on assets, liabilities and equity when retrospectively applying IFRS 15 on January 1, 2018 is detailed below:

Impact on Assets, Liabilities and Equity

| | Carrying Amount as of December 31, 2017 (IAS 18 and Revenue-related Interpretations) | Adjustments Arising from Initial Application | Carrying Amount as of January 1, 2018 (IFRS 15) |
|---|---|---|---|
| Contract liabilities-current | - | 7,438,298 | 7,438,298 |
| Advance receipts | 7,438,298 | (7,438,298) | - |
| Total effect on liabilities | 7,438,298 | - | 7,438,298 |

Had the Group applied IAS 18 in the current year, the following adjustments should have been made to reflect the line items and balances under IFRS 15.

| | December 31, 2018 |
|---|---|
| Decrease in contract liabilities-current | (6,049,968) |
| Increase in advance receipts | 6,049,968 |
| Total effect on liabilities | - |

c. IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

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

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

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group continuously assessing the possible impact that the application of the aforementioned amendments and interpretations will have no impacts on the Group's financial position and financial performance.

(2) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers for application starting from 2019 and the IFRSs issued by IASB and endorsed by FSC with effective date starting 2019

| New, Amended or Revised Standards and Interpretations (the "New IFRSs") | Effective Date Announced by IASB (Note 1) |
|---|---|
| Annual Improvements to IFRSs 2015-2017 Cycle | January 1, 2019 |
| Amendments to IFRS 9 "Prepayment Features with Negative Compensation" | January 1, 2019 (Note 2) |

| | |
|---|---|
| IFRS 16 "Leases" | January 1, 2019 |
| Amendments to IAS 19 "Plan Amendment, Curtailment of Settlement" | January 1, 2019 (Note 3) |
| Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures" | January 1, 2019 |
| IFRIC 23 "Uncertainty Over Income Tax Treatments" | January 1, 2019 |

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

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

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

a. IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

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

The Group as lessee

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

Upon initial application of IFRS 16, the Group will apply IFRS 16 retrospectively with the cumulative effect of the initial application recognized at the date of initial application but will not restate comparative information.

Leases agreements classified as operating leases under IAS 17, except for leases of low-value asset and short-term leases, will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments. Right-of-use assets are subject to impairment testing under IAS 36.

The Group will apply the following practical expedients to measure right-of-use assets and lease liabilities on January 1, 2019:

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

(b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.

(c) Except for lease payment, the Group will exclude incremental costs of obtaining the lease from the measurement of right-of-use assets on January 1, 2019.

(d) The Group will determine lease terms (e.g. lease periods) based on the projected status on January 1, 2019, to measure lease liabilities.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor, and will account for those leases under IFRS 16 starting from January 1, 2019. On the basis of the remaining contractual terms and conditions on January 1, 2019, all of the Group's subleases will be classified as operating leases.

Impact on assets, liabilities and equity on January 1, 2019

| | | Carrying Amount as of December 31, 2018 | Adjustments Arising from Initial Application | Adjusted Carrying Amount as of January 1, 2019 |
|---|---|---|---|---|
| Right-of-use assets | $ | - | 7,792 | 7,792 |
| Total effect on assets | $ | - | 7,792 | 7,792 |
| | | | | |
| Lease liabilities-noncurrent | $ | - | 7,792 | 7,792 |
| Total effect on liabilities | $ | - | 7,792 | 7,792 |

b. IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRS 23 clarified tat when income tax treatments exist uncertainty, the Group has to make assumption that tax authority will get relevant data to proceed inspection in case that tax treatment is judged probably to be accepted by tax authority, the decision made by the Group with regard to taxable income, tax base, unused taxable loss, unused tax credits and tax rate must comply with income tax treatments while filing the income tax to tax authority.

The Group may elect to apply IFRIC 23 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this standard recognized at the date of initial application.

(3) The IFRSs issued by IASB but not yet endorsed and issued into effect by FSC

| New, Revised or Amended Standards and Interpretations | Effective Date Issues by IASB (Note 1) |
|---|---|
| Amendments to IFRS 3 “Definition of a Business” | January 1, 2020 (Note 2) |
| Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate of Joint Venture” | To be determined by IASB |
| IFRS 17 “Insurance Contracts” | January 1, 2021 |
| Amendments to IAS 1 and IAS 8 “Definition of Material” | January 1, 2020 (Note 3) |

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

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

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

As of the date the accompanying consolidated financial statements were authorized for issue, the Group continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Group completes the evaluation.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (1) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed by the FSC with effective dates (collectively, "Taiwan-IFRSs").

### (2) Basis of Preparation

a. Basis of Measurement

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

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

b. Functional Currency and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in New Taiwan Dollars, which is the Company's functional currency.

### (3) Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the shareholders of the parent and to the noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the noncontrolling interests are adjusted to reflect the changes in their relative interests in the subsidiaries in accordance with the statement of B96 of IFRS 10. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to shareholders of the parent.

When the Company loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between:

(a) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and

(b) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Company shall account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the Company had directly disposed of the related assets and liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the cost on initial recognition of an investment in an associate.

b. The subsidiaries included in the consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

| Name of Investor | Name of Investee | Main Businesses and Products | Ownership (%) December 31 2018 | Ownership (%) December 31 2017 | Description |
|---|---|---|---|---|---|
| YTEC | Yungtay Engineering Co. (HK) | Holding Co. | 78.72 | 78.72 | |
| Better Win Investment Co. (SAMOA) | Yungtay Engineering Co. (HK) | Holding Co. | 21.28 | 21.28 | (Note 1) |
| Yungtay Engineering Co. (HK) | Yungtay Elevator Equipment Co. (China) | Manufacturing & maintenance of elevator | 100.00 | 100.00 | |
| Yungtay Elevator Equipment Co. (China) | Yungtay Elevator Installation & Maintenance Co. (ShangHai, China) | Installation & maintenance of elevator | 100.00 | 100.00 | |
| Yungtay Elevator Equipment Co. (China) | Jiyi Electric Co. (Shanghai, China) | Manufacturing & maintenance of Component of elevator | - | - | (Note 2) |
| Yungtay Elevator Equipment Co. (China) | Yungtay Elevator Limited Liability Co. (Vietnam) | Sale & Maintenance of elevator | 100.00 | 100.00 | |
| Yungtay Elevator Equipment Co. (China) | Yungtay Elevator Equipment Co. (Sichuan, China) | Manufacturing & maintenance of elevator | 100.00 | 100.00 | |
| Yungtay Elevator Equipment Co. (China) | Yungtay Elevator Equipment Co. (Tianjin, China) | Manufacturing & maintenance of elevator | 100.00 | 100.00 | |
| Yungtay Elevator Equipment Co. (Tianjin, China) | Yungtay Elevator Installation & Maintenance Co. (Tianjin, China) | Installation & maintenance of elevator | 100.00 | 100.00 | |
| YTEC | Better Win Investment Co. (SAMOA) | Holding Co. | 100.00 | 100.00 | |
| YTEC | Yungjiun Construction Machinery Co., Ltd. | Investment business | 100.00 | 100.00 | (Note 3) |
| YTEC | Yungtay Hitachi Construction Machinery Co., Ltd. | Sale & Maintenance of Construction Machinery | 51.00 | 51.00 | |
| YTEC | GIO Automation Technology Co., Ltd. | Automatic Control Engineering | - | - | (Note 4) |
| Yungjiun Investment Co. Ltd. | GIO Automation Technology Co., Ltd. | Automatic Control Engineering | - | - | (Note 5) |

Note 1: The Company holds 21.28% ownership of Yungtay Engineering Co. (HK) through Better Win Investment Co. (SAMOA). The Company originally held 78.72% ownership of Yungtay Engineering Co. (HK). Due to comprehensive holdings 100% ownership of Yungtay Engineering Co. (HK) the 21.28% ownership of Yungtay Engineering Co. (HK) is consolidated.

Note 2: On October 16, 2017, the board of directors of Yungtay Elevator Equipment Co. (China) resolved that Yungtay Elevator Equipment Co. (China) absorbed by merger Jiyi Electric Co. (Shanghai, China), with Yungtay Elevator Equipment Co. (China) being the surviving company and Jiyi Electric Co. (Shanghai, China) being the dissolving company, effective from December 31, 2017.

Note 3: YungJiun Investment Co., Ltd. decreased capital amounted to NT$95,000 thousand, and completed the procedures of decreasing capital in the second quarter of 2017. The Company still holds 100% ownership of YungJiun Investment Co., Ltd.

Note 4: GIO Automation Technology Co., Ltd. decreased capital to cover the deficit amounted to NT$60,000 thousand and decreased capital by returning cash amounted to NT$70,000 thousand, and completed all the related procedures of decreasing capital in the first quarter of 2016. The Company still holds 95.11% ownership in spite of decreasing shares of 12,363,930. On October 12, 2016, the resolution of dissolution was made by the provisional shareholders' meeting and completed the liquidation has been underway starting from January 3, 2017.

Note 5: The Company holds 4.875% ownership of GIO Automation Technology Co., Ltd. through Yungjiun Investment Co., Ltd.. The Company originally held 95.11% ownership of GIO Automation Technology Co., Ltd. Due to comprehensive holdings 99.985% ownership of GIO Automation Technology Co., Ltd., the 4.875% ownership of GIO Automation is consolidated. As stated in Note 4, GIO Automation Technology Co., Ltd. was resolved to dissolve by the provisional shareholders' meeting on October 12, 2016 and completed the liquidation procedures on January 3, 2017.

c. Subsidiaries not included in the consolidated financial statements: None.

d. Significant restriction: None.

e. Subsidiaries that have non-controlling interests that are material to the Group: None.

### (4) Foreign Currencies

a. Foreign Currency Transactions

The financial statements of each individual consolidated entity were expressed in the currency, which reflected its primary economic environment (functional currency). The functional currency of the Company and presentation currency of the consolidated financial statements are both New Taiwan Dollars (NT$). In preparing the consolidated financial statement, the operating results and financial positions of each consolidated entity are translated into NT$.

In preparing the financial statements of each individual consolidated entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Such exchange differences are recognized in profit or loss in the period in which they arise. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

b. Foreign Operations

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into NT$ using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

**(5) Classification of Current and Noncurrent Assets and Liabilities**

Current assets include:

a. Assets held primarily for the purpose of trading;

b. Assets expected to be realized within twelve months after the reporting period; and

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

Current liabilities include:

a. Liabilities held primarily for the purpose of trading;

b. Liabilities due to be settled within twelve months after the reporting period; and

c. Liabilities for which the Group does not have an unconditional right to defer settlement 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 the issue of equity instruments do not affect its classification.

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

**(6) Cash Equivalents**

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(7) Financial Instruments**

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

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

a. Financial Assets

The classification of financial assets depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis for which financial assets were classified in the same way, respectively. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Category of financial assets and measurement

2018

Financial assets are classified into the following categories: financial assets at FVTPL (fair value to profit or loss), financial assets at amortized cost and equity instruments at FVTOCI (fair value through other comprehensive income).

(i) Financial assets at FVTPL

For certain financial assets which include debt instruments that do not meet the criteria of amortized cost or FVTOCI, it is mandatorily required to measure them at FVTPL. Any gain or loss arising from remeasurement is recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest earned on the financial asset.

(ii) Measured at amortized cost

Cash and cash equivalents, debt instrument investments, notes and accounts receivable (including related parties), other receivables and refundable deposits are measured at amortized cost.

Debt instruments with contractual terms specifying that cash flows are solely payments of principal and interest on the principal amount outstanding, together with objective of holding financial assets in order to collect contractual cash flows, are measured at amortized cost.

Subsequent to initial recognition, financial assets measured at amortized cost are measured at amortized cost, which equals to carrying amount determined by the effective interest method less any impairment loss.

(iii) Investments in equity instruments at FVTOCI

On initial recognition, the Gruop may irrevocably designate investments in equity investments that is not held for trading as at FVTOCI.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity.

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

2017

Financial assets are classified into the following specified categories: Financial assets at FVTPL, available-for-sale financial assets, and loans and receivables.

(i) Financial assets at FVTPL

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

Publicly traded stocks, that have a quoted market price and hold by the Group, are classified as available-for-sale financial assets and are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period. Such equity instruments are subsequently remeasured at fair value when their fair value can be reliably measured, and the difference between the carrying amount and fair value is recognized in or other comprehensive income, and is recognized in profit or loss if impaired.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

(b) Impairment of financial assets

2018

At the end of each reporting period, a loss allowance for expected credit loss is recognized for financial assets at amortized cost (including accounts receivable).

The loss allowance for accounts receivable is measured at an amount equal to lifetime expected credit losses. For financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI, when the credit risk on the financial instrument has not increased significantly since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from possible default events of a financial instrument within 12 months after the reporting date. If, on the other hand, there has been a significant increase in credit risk since initial recognition, a loss allowance is recognized at an amount equal to expected credit loss resulting from all possible default events over the expected life of a financial instrument.

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

2017

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

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Group assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the year.

In respect of available-for-sale equity instruments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to the recognition of an impairment loss is recognized in other comprehensive income and accumulated under the heading of unrealized gains or losses from available-for-sale financial assets.

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

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

(c) Derecognition of financial assets

2018

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

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

2017

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

On derecognition of a financial asset in its entirety, the difference between the financial asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

b. Financial Liabilities and Equity Instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

c. Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its forward foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and presented under non-operating income and expenses. When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

**(8) Fair Value Measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

a. In the principal market for the asset or liability, or

b. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would us when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable imputs.

**(9) Inventories**

Inventories are stated at the lower of cost or net realizable value. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost at the end of the reporting period. Net realizable value represents the estimated selling price of inventories less estimated costs of completion and the estimated costs necessary to make the sale.

**(10) Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition.

To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell . Recognition of depreciation of those assets would cease.

**(11) Investments Accounted for Using Equity Method-Investments in Associates**

Investments accounted for using the equity method are investments in associates.

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The operating results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of profit or loss and other comprehensive income of the associate as well as the distribution received. The Group also recognizes its share in the changes in the equities of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the Group ceases to have significant influence over an associate. When the Group retains an interest in the former associate, the Group measures the retained interest at fair value at that date. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group shall account for all amounts recognized in other comprehensive income in relation to that associate on the same basis as would be required if the associate had directly disposed of the related assets or liabilities. If the Group's ownership interest in an associate is reduced as a result of disposal, but the investment continues to be an associate, the Group should reclassify to profit or loss only a proportionate amount of the gain or loss previously recognized in other comprehensive income.

When the Group subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the net assets of the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription to the shares of associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

When a consolidated entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not owned by the Group.

**(12) <u>Property, Plant and Equipment</u>**

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. 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 is depreciated separately.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

| Categories of assets | Years |
| --- | --- |
| Building | |
| Main Building | 10~55 |
| Decoration Works | 2~30 |
| Electrical and Mechanical Engineering | 5~15 |
| Machinery and Equipment | 5~15 |
| Telecommunications Equipment | 2~10 |
| Transportation Equipment | 2~10 |
| Furniture and Fixtures | 2~10 |
| Research Equipment | 2~10 |
| Tools and Sundry Equipment | 2~10 |

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Land is not depreciated.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**(13) Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for currently undermined future use.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method over the following estimated useful lives:

| Categories of assets | Years |
|---|---|
| Building | |
| Main Building | 10~55 |
| Decoration Works | 3~10 |
| Electrical and Mechanical Engineering | 3~15 |

The Group decides to transfer into or from investment properties in accordance with the actual purpose of asset.

**(14) <u>Leases</u>**

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

<u>The Group as lessor</u>

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

<u>The Group as lessee</u>

Assets held under finance lease are initially recognized as assets of the Group at the fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is recognized as an obligation under finance lease.

Lease payments are apportioned between finance expense and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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

**(15) <u>Intangible Assets</u>**

<u>Goodwill</u>

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives: computer software – 1~10 years; membership qualification of golf club acquired in Mainland China – 35 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

**(16) Impairment of Non-Financial Assets**

Goodwill

Goodwill is not amortized and instead is tested for impairment annually, or more frequently when there is an indication that the cash generating unit may be impaired. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination. If the recoverable amount of a cash-generating unit is less than its carrying amount, the difference is allocated first to reduce the carrying amount of any goodwill allocated to such cash generating unit and then to the other assets of the cash generating unit pro rata based on the carrying amount of each asset in the cash generating unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

**(17) Provision**

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

**(18) Treasury Stock**

The Group's own equity instruments repurchased are recognized at repurchase cost (including attributable cost) and deducted from equity.

Any difference between the carrying amount and the consideration is recognized in equity.

The parent company's shares held by the subsidiary are accounted for treasury stock, and the cash dividends, distributed from the parent company to the subsidiary, are classified under the capital surplus-transaction of treasury stock.

### (19) Employee benefits

a. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

b. Pensions

(a) Defined contribution plans

For defined contribution plans, the Group pays fixed contributions to an independent, publicly or privately administered pension fund. The Group has no further legal or constructive obligations once the contributions have been paid. The contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

(i) Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The net defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when where is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

(ii) Remeasurements arising on defined benefit plans are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

c. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense when it can no longer withdraw an offer of termination benefits or it recognizes related restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

d. Employees' compensation and directors' and supervisors' remuneration

Employees' compensation and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Company calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

**(20) Revenue Recognition**

a. Sale of Goods

2018

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

The Group recognized the trade receivable after the completion of installation of elevator and inspection by the competent authority to be qualified, when the group has the right to collect the consideration without any condition.

Any incremental cost incurred to obtain the contract would be capitalized as incremental cost for getting the contract within the scopt of expected recovery, and be amortized in the same way followed by the recognition of revenue afterwards.

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

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

b. Service provided

The revenue of maintenance and repair stipulated in the contract, during the period of maintenance, is recognized when performance obligations are satisfied along with the time of services provided.

2017

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

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

c. Services, dividend and interest income

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

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

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

d. Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire noncurrent assets (mainly including land use right and depreciable assets) are recognized as a deduction from the carrying amount of the related assets and recognized as a reduced depreciation or amortization charge in profit or loss over the contract period or useful lives of the related assets.

**(21) Taxation**

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

Current tax

Income tax (5% reduced from 10% since 2018) on unappropriated earnings (Including earnings from the Company and domestic subsidiaries) is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, net operating loss carryforwards and tax credits for research and development expenses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

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

Current and deferred tax for the year

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

**(22) Business Combination**

The Group selected to restate only the business combination happened on January 1, 2012 and afterwards when transferred to IFRSs as endorsed by FSC. To the acquisition before January 1, 2012, the amount of goodwill from acquisition was recognized in accordance with the Regulations governing the Preparation of Financial reports by Securities Issuers released on January 10, 2009 and Statements of Financial Accounting Standard and interpretations released by Accounting Research and Development Foundation, R.O.C.

**(23) Earnings per share**

Basic earnings per share of the Group is computed by dividing profit or loss attributable to the shareholders of the Company by the weighted-average number of common shares outstanding during the period. In computing diluted earnings per share, profit or loss attributable to the shareholders of the Company and the weighted-average number of common shares outstanding during the period are adjusted for the effects of dilutive potential common stock, assuming dilutive share equivalents had been issued.

The weighted-average outstanding shares are retroactively adjusted for the effects of stock dividends transferred from retained earnings and capital surplus to common stock.

**(24) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results are reviewed regularly by the Group's chief operating decision maker to make decisions pertaining to the allocation of resources to the segment and to assess its performance. Meanwhile, discrete financial information for operating results is available.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

**(1) Impairment of Tangible and Intangible Assets Other than Goodwill**

In the process of evaluating the potential impairment of tangible and intangible assets other than goodwill, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of elevator industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges or reversal in future years, see Notes 6(8) and (13).

**(2) Impairment Loss of Goodwill**

The assessment of impairment of goodwill requires the Group to make subjective judgment to determine the identified cash-generating units, allocate the goodwill to relevant cash-generating units and estimate the recoverable amount of relevant cash-generating units, see Notes 6(14).

**(3) Impairment Assessment on Investment Using Equity Method**

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Group measures the impairment based on a projected future cash flow of the investees, including the underlying assumptions of sales growth rate and capacity utilization rate formulated by such investees' internal management team. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

There is no indication of impairment of investment accounted for using the equity method in 2018 and 2017, respectively.

**(4) Income Tax**

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions Is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies, see Note 6(24).

**(5) Valuation of Inventory**

Inventories are stated at the lower of cost or net realizable value, and the Group uses judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon, see Note 6(6).

**(6) Useful Lives of Property, plant and Equipment as well as Investment Properties**

The Group reviews the estimated useful lives of property, plant and equipment as well as investment properties periodically.

**(7) Estimated impairment of financial assets - 2018**

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see

Note 6(5). Where the actual future cash inflows are less than expected, a material impairment loss may arise.

**(8) Estimated impairment of trade receivables - 2017**

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of impairment loss is measured as the difference between an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise, see Note 6(5).

6. Description of Major Accounting Items

(1) Cash and cash equivalents

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Cash on hand | $ | 7,586 | 7,437 |
| Deposits in banks | | | |
| Checking accounts | | 140,734 | 148,280 |
| Demand deposits (including foreign currency deposits) | | 2,503,968 | 2,818,122 |
| Cash equivalents | | | |
| Time deposits (including foreign currency deposits) | | 1,223,247 | 1,161,805 |
| Total | $ | 3,875,535 | 4,135,644 |

a. The currency risk and sensitivity analysis of the Group's financial assets and liabilities was disclosed in the Note 12(1).4.

b. No cash and cash equivalents of the Group were pledged as collateral.

(2) Financial assets and (liabilities) at fair value through profit or loss-current

| | | December 31 2018 |
|---|---|---|
| Mandatorily measured at FVTPL: | | |
| Mutual funds and publicly traded stocks | $ | 522,920 |
| Forward exchange contracts | | 6,748 |
| Total | $ | 529,668 |

| | | December 31 2017 |
|---|---|---|
| At FVTPL-current | | |
| Mutual funds and publicly traded stocks | $ | 211,202 |
| Forward exchange contracts | | (5,529) |
| Total | $ | 205,673 |

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Current | $ | 529,668 | 205,673 |
| Non-current | | - | - |
| Total | $ | 529,668 | 205,673 |

a. The Group entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. These derivative contracts did not meet the criteria for hedge accounting. Therefore, the Group did not apply hedge accounting treatment for these derivative contracts.

b. Outstanding forward exchange contracts consisted of the following:

| | Currency | Maturity Date | Contract Amount (In Thousands) |
|---|---|---|---|
| Dec. 31, 2018 | JPY/NT$ | Jan. 25, 2019 ~Nov. 11, 2019 | 924,876 |
| Dec. 31, 2017 | JPY/NT$ | Jan. 25, 2018 ~Mar. 26, 2019 | 1,194,680 |

c. The Group disclosed the exposures of credit, currency and interest which were related with financial instrments in the Note 12.

d. The Group's financial assets were not pledged as collateral.

(3) Financial assets at fair value through other comprehensive income - 2018

Investments in Equity Instruments at FVTOCI

| | | December 31 2018 |
|---|---|---|
| Listed and OTC stocks - Current | $ | 86,156 |
| Unlisted and OTC stocks - Non-Current | | 87,824 |
| | $ | 173,980 |

a. These investments in equity instruments are not held for trading. Instead, they are held for prudent and conservative strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale financial assets and financial assets carried at cost under IAS 39. Refer to Notes 3, 6(4) and 6(10) for information relating to their reclassification and comparative information for 2017.

b. The Company owned the investee company named Li Se Joint-Venture Investment Co. Ltd. (unlisted co.) with original 923,515 shares. The investee company decided to decrease capital (the ratio of decrease capital being 12% and the capital decrease date being August 10, 2018) resolved by the Shareholders' Meeting on June 5, 2018 and the Company received the proceeds from capital reduction with amount of NT$1,108 thousand, the shares decreased being 110,822 shares and holding shares after capital reduction being 812,693 shares.

(4) Avaibable-For-Sale Financial Assets-Current - 2017

Investments in Equity Instruments at FVTOCI

| | December 31 2017 |
|---|---|
| Listed stocks | $ 95,957 |

The Group invested O Bank, with 20,769,539 shares, measured at cost, for O Bank has been approved to be listed in the stock market on May, 2017, which is open and active market. Due to the financial capital need, the Company decided to dispose of 10,000,000 shares, which were transferred to the account of Financial Assets at Fair Value through Profit or Loss from the account of Non-Current Financial Assets Measured at Cost, among which 6,985,000 shares were disposed of and still have 3,015,000 shares under the account of Financial Assets at Fair Value through Profit or Loss. The rest 10,769,539 shares were reclassified to the account of Financial Asset at Fair Value through Other Comprehesive Income from the account of

Available-For-Sale Financial Assets-Current with the transition of accounts since January 1, 2018 under IFRS 9.

(5) Notes and Accounts Receivable, net

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Notes receivable | $ | 391,898 | 313,922 |
| Accounts receivable | | 3,698,431 | 3,833,490 |
| Less: unrealized interest income | | (1,744) | (118) |
| Less: allowance for doubtful accounts | | (408,801) | (501,332) |
| Notes and accounts receivable, net | $ | 3,679,784 | 3,645,962 |

a. 2018

The following table details the loss allowance of trade receivables based on the Group's provision matrix, please refer to Note 12.(1)b.,(2) for more information.

December 31, 2018

| Item | Not Past Due | Past Due 1~6 months | Past Due 6~12 months | Past Due Over 1 year | Total |
|---|---|---|---|---|---|
| Rate of expected credit loss computed using the weighted-average method | 1.11% | 4.62% | 8.95% | 30.40% | |
| Gross carrying amount | $ 1,741,589 | 904,035 | 426,120 | 1,018,585 | 4,090,329 |
| Loss allowance (Lifetime expected credit loss) | (19,270) | (41,784) | (38,147) | (309,600) | (408,801) |
| Amortized cost | $ 1,722,319 | 862,251 | 387,973 | 708,985 | 3,681,528 |

The movement of the loss allowance of trade receivables [including notes and accounts receivable (related parties included), overdue receivables and long-term notes receivable] was as follows:

| | | Notes & Accounts receivable (related Parties included) | Overdue Receivables | Long-Term Notes Receivable |
|---|---|---|---|---|
| Balance at January 1, 2018 (IAS 39) | $ | 501,332 | 2,191 | 5 |
| Effect of retrospective application of IFRS 9 | | - | - | - |
| Balance at January 1, 2018 (IFRS 9) | | 501,332 | 2,191 | 5 |

| | | | |
|---|---|---|---|
| Actual write-off during the year | (77,905) | (130) | - |
| Reversal for the year | (6,632) | - | - |
| Transferred to overdue receivable and long-term notes receivable | (675) | 433 | 242 |
| Effect of exchange rate changes | (7,319) | - | - |
| Balance at December 31, 2018 | $ 408,801 | 2,494 | 247 |

b. 2017

Movement in the allowance for doubtful accounts was as follows:

| | December 31 2017 |
|---|---|
| Balance, beginning of the year | $ 507,958 |
| Impairment loss recognized for the year | 78,508 |
| Amounts written off during the year as uncollectable | (73,409) |
| Effect of foreign currency exchange differences | (9,529) |
| Balance, end of the year (including long-term note, accounts and overdue receivable | $ 503,528 |

c. The main activity of Yungtay Elevator (China) is providing elevator of passenger for real estate development project. According to the custom of real estate industry, almost 5% of the proceeds of elevator sales are to be the guarantee deposit of the quality and quantity.

Not until the goods are verified by the buyer in one year or two years, can Yungtay Elevator (China) be entitled to receive the rest proceeds. The balance of the guarantee deposit of the quality and quantity included in the trade receivables was 426,644 thousand and 508,201 thousand as at December 31, 2018 and 2017, respectively.

d. The Group hasn't held any collateral, nor have the trade receivables pledged or discounting.

(6) Inventories

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Raw materials | $ | 616,560 | 615,045 |
| Work in process | | 4,163,264 | 5,270,142 |
| Finished goods (including Merchandise) | | 58,375 | 37,743 |
| Construction in process | | 409,153 | 618,486 |
| In-transit inventory | | 21,114 | 78,977 |
| Subtotal | | 5,268,466 | 6,620,393 |
| Less: allowance for inventory decline loss | | (34,910) | (84,734) |
| Total | $ | 5,233,556 | 6,535,659 |

Operating costs (excluding rental cost) which were related with inventories in 2018 and 2017, respectively, were as follows:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Operating costs transferred from inventories | $ | 11,389,727 | 12,202,466 |
| Inventories decline loss (gain from price recovery of inventory) | | (49,759) | 16,316 |
| Revenue from sale of scraps | | (20,124) | (20,594) |
| (Gain) loss on physical inventory | | 271 | (59) |
| Underapplied overhead | | 98,813 | 94,942 |
| Total | $ | 11,418,928 | 12,293,071 |

(7) Incremental costs of obtaining contracts and prepayments

| | | December 31 2018 |
|---|---|---|
| Incremental costs of obtaining contract – sales commission | $ | 154,208 |

The Group took in to account the past historical experience and the term of service contract, thus the Group recognized the incremental cost-commission as the performance obligation of the contract was deemed to be recovered in full.

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Prepayments for sales service fee | $ | - | 222,939 |
| Prepaid insurance | | 8,955 | 6,884 |

| | | |
|---|---|---|
| Prepaid rent | 2,702 | 9,493 |
| Prepayment for purchases | | |
| Domestic purchases | 1,373 | 6,211 |
| Foreign purchases | 16,507 | 10,788 |
| Overpaid value-added tax | 25,764 | 142,255 |
| Others | 9,208 | 8,305 |
| Total | $ 64,509 | 406,875 |

Prepayments for sales service fee refer to the commission for the sale of elevator, which was paid to agent in accordance with the delivery and the degree to which the elevators were completed, and would be accounted for sales expense until the installation of elevator was completed and verified to be qualified by the competent authority.

Upon initial application of IFRS 9 starting from January 1, 2018, the prepayments for sales service fee were reclassified to "Incremental costs of obtaining contract-sales commission".

(8) Non-current assets held for sale

a. The movement of cost and impairment loss with regard to the Group's non-current assets was as follows:

| | |
|---|---|
| Cost | |
| Balance at January 1, 2018 | $ 55,692 |
| Additions | - |
| Disposals | - |
| Transfer in | 3,205 |
| Effect of exchange rate changes | (993) |
| Balance at December 31, 2018 | $ 57,904 |
| | |
| Balance at January 1, 2017 | $ 56,523 |
| Additions | - |
| Disposals | (5,351) |
| Transfer in | 5,680 |
| Effect of exchange rate changes | (1,160) |
| Balance at December 31, 2017 | $ 55,692 |

| Impairment Loss | | |
|---|---|---|
| Balance at January 1, 2018 | $ | (5,420) |
| Impairment loss | | (414) |
| Effect of exchange rate changes | | 97 |
| Balance at December 31, 2018 | $ | (5,737) |
| | | |
| Balance at January 1, 2017 | $ | - |
| Impairment loss | | (5,478) |
| Effect of exchange rate changes | | 58 |
| Balance at December 31, 2017 | $ | (5,420) |
| | | |
| Carrying amount | | |
| Balance at December 31, 2018 | $ | 52,167 |
| Balance at December 31, 2017 | $ | 50,272 |

b. The net (loss) gain on disposal of non-current assets held for sale was NT$0 and NT$(464) thousand in 2018 and 2017, respectively, see Note 6(22).3 and the carrying amount on disposal of non-current assets held for sale was NT$0 and NT$5,351 thousand in 2018 and 2017, respectively.

c. The recognized impairment (loss) of non-current assets held for sale was NT$(414) thousand and NT$(5,478) thousand in 2018 and 2017, respectively, see Note 6(22).3.

d. Net transferred amount in 2018 and 2017, respectively, was shown below:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Property, plant and equipment from no-current assets held for sale | $ | (64,876) | (9,798) |
| Non-current assets held for sale from property, plant and equipment | | 80,964 | 37,186 |
| Investment property from non-current assets held for sale | | (12,883) | (21,708) |
| Total | $ | 3,205 | 5,680 |

(9) Refundable deposits

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Bid bond for construction, contract security deposit | $ | 263,809 | 440,580 |
| Admission deposit for golf club | | 25,600 | 25,600 |
| Membership deposit | | 400 | 1,100 |

| | | | |
|---|---|---|---|
| Rental deposit | | 10,038 | 11,786 |
| Depository court deposit | | 473 | 473 |
| Others | | 1,691 | 922 |
| Subtotle | | 302,011 | 480,461 |
| Less: accumulated impairment loss | | (1,800) | (1,800) |
| Total | $ | 300,211 | 478,661 |

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Current | $ | 220,233 | 415,775 |
| Non-current | | 79,978 | 62,886 |
| Total | $ | 300,211 | 478,661 |

a. The Group provided bank savings to be collateral of contract security deposit and bank acceptance bill please refer to related disclosure in Note 8.

b. Accumulated impairment loss refers to the impairment loss of the golf card owned by the Company.

(10) Non-current financial assets measured at cost (2017)

| | | December 31 2017 |
|---|---|---|
| Non-publicly traded stocks | $ | 88,932 |

a. Since there is a wide range of estimated fair values of the Group's investments in non-publicly traded stocks, the Group concludes that the fair value cannot be reliably measured and therefore should be measured at cost less any impairment.

b. The financial assets measured at cost-non-current of the Group were not provided to be collateral.

c. The Company invested Li-Tse Joint Venture Investment Co. with 1,220,290 shares. The investee company reduced capital by cash and offset a deficit by reduction of capital (the ratio of reduction of capital being 24.32%). The Company received the share refund of NT$1,503 thousand (the Company decreased 150,340 shares) and the 12% reduction of capital was used to offect a deficit (the Company decreased 146,435 share) and the company holds 923,515 shares after reduction of capital. Upon initial application of IFRS 9 starting from January 1, 2018, the financial assets measured at cost-non-current were reclassified to "Investment in Equity Instruments at FVTOCI-non- current".

(11) Investments accounted for using equity method

a. Material associats: Nil.

b. Aggregate information of associates that are not individually material was summarized as follows:

| Associates-carrying amount | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Taiwan Calsonic Co., Ltd. (TWNCAL) | $ | 239,864 | 279,059 |
| Evest Corporation | | 136,025 | 101,962 |
| Total | $ | 375,889 | 381,021 |

| Associates-shareholding ratio | | |
|---|---|---|
| Taiwan Calsonic Co., Ltd. (TWNCAL) | 20.16% | 20.16% |
| Evest Corporation | 41.22% | 41.22% |

(a) Associates

(i) Among associates, only TWNCAL is listed company. It's fair value was listed as follows:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Fair value (market price) | $ | 147,705 | 208,335 |

(ii) The financial information of the Group's associates was summarized as follows:

| The Group's share of profit (loss) of associates | | Years Ended December 31 2018 | Years Ended December 31 2017 |
|---|---|---|---|
| Net income (loss) for the year | $ | 8,566 | (11,683) |
| Other comprehensive loss | $ | (5,404) | (5,201) |
| Total comprehensive income (loss) | $ | 3,162 | (16,884) |

(b) No investments accounted for using equity method of the Group were pledged as collateral.

(c) The related information of the Group's re-investment and Mainland investment refers to Table 8 of Note 13(2) and Table 9 of Note 13(3), respectively.

(d) The Group's share of profit/(loss) of its associates accounted for using equity method amounted to NT$8,566 thousand and NT$(11,683) thousand, for the years ended December 31, 2018 and 2017, respectively.

## (12) Property, plant and equipment

| | | Land | Buildings | Machinery and Equipment | Other Equipment | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| Cost | | | | | | | |
| Balance at Jan. 1, 2018 | $ | 1,061,833 | 4,514,648 | 2,440,127 | 1,431,553 | 283 | 9,448,444 |
| Additions | | - | 6,518 | 19,794 | 29,336 | 1,594 | 57,242 |
| Disposals | | - | (53,881) | (74,157) | (43,774) | - | (171,812) |
| Transfers | | 33,093 | 11,583 | 14,124 | 72 | (282) | 58,590 |
| Effect of exchange rate changes | | - | (59,674) | (32,280) | (18,147) | (14) | (110,115) |
| Balance at Dec. 31, 2018 | $ | 1,094,926 | 4,419,194 | 2,367,608 | 1,399,040 | 1,581 | 9,282,349 |
| Balance at Jan. 1, 2017 | $ | 1,036,148 | 4,746,747 | 2,401,120 | 1,389,258 | 98,064 | 9,671,337 |
| Additions | | - | 8,476 | 92,461 | 54,089 | 10,247 | 165,273 |
| Disposals | | (1,557) | (95,779) | (81,637) | (105,494) | - | (284,467) |
| Transfers | | 27,242 | (70,472) | 66,523 | 115,195 | (107,051) | 31,437 |
| Effect of exchange rate changes | | - | (74,324) | (38,340) | (21,495) | (977) | (135,136) |
| Balance at Dec. 31, 2017 | $ | 1,061,833 | 4,514,648 | 2,440,127 | 1,431,553 | 283 | 9,448,444 |
| Accumulated depreciation and impairment | | | | | | | |
| Balance at Jan. 1, 2018 | | | $ (1,569,808) | (1,152,515) | (914,165) | | (3,636,488) |
| Additions | | | (136,266) | (143,964) | (96,529) | | (376,759) |
| Disposals | | | 12,545 | 71,407 | 38,065 | | 122,017 |
| Transfers | | | (14,290) | 2,755 | 306 | | (11,229) |
| Effect of exchange rate changes | | | 35,008 | 13,283 | (9,093) | | 39,198 |
| Balance at Dec. 31, 2018 | | | $ (1,672,811) | (1,209,034) | (981,416) | | (3,863,261) |
| Balance at Jan. 1, 2017 | | | $ (1,549,879) | (1,107,030) | (876,114) | | (3,533,023) |
| Additions | | | (136,000) | (133,996) | (114,035) | | (384,031) |
| Disposals | | | 89,486 | 74,661 | 78,462 | | 242,609 |
| Transfers | | | 9,187 | (136) | (14,232) | | (5,181) |
| Effect of exchange rate changes | | | 17,398 | 13,986 | 11,754 | | 43,138 |
| Balance at Dec. 31, 2017 | | | $ (1,569,808) | (1,152,515) | (914,165) | | (3,636,488) |
| Carrying amounts | | | | | | | |
| Dec. 31, 2018 | $ | 1,094,926 | 2,746,383 | 1,158,574 | 417,624 | 1,581 | 5,419,088 |
| Dec. 31, 2017 | $ | 1,061,833 | 2,944,840 | 1,287,612 | 517,388 | 283 | 5,811,956 |

a. Material contracts of construction in progress refer to Note 9(8).

b. The trade counterparts of equipments upon disposal were not related parties in 2018 and 2017, with net disposing gain of NT$10,123 thousand and NT$3,603 thousand, respectively and the carrying amount of disposing equipments (scraped equipments excluded) was NT$46,750 thousand and NT$23,690 thousand, respectively.

c. The Company co-possessed the land, located at 5 little Section, Ton Hwa Sec., Da-An District, with quite a few persons. For partial co-person appealed to court to divide common object and applied for getting the consideration mandatorily through partition and won the suit, thus the court sealed and auctioned the land of Ton Hwa Sec. on July 10, 2017 and distributed the auction proceeds in proportion to the land. The Company got the distributed proceeds of NT$1,496 thousand on disposal loss of 61 thousand in 2017.

d. The building of Yungtay Elevator (China) of which the improvement expense was amortized by month in effective years. The amortization has been over in 2017, amounting to RMB20,652 thousand (Equivalent to NT$94,914 thousand).

e. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

f. The capitalization of borrowing interests attributable to the aforementioned assets was NT$0 in 2018 and 2017, respectively.

g. The significant part of the aforementioned property, plant and equipment is depreciated using the straight-line method over their estimated useful lives, please refer to Note 4(12)3.

h. Prepayment for equipment of the Group referred to the prepayment for equipment and property, which was accounted for the non-current assets due to unfinished delivery.

i. The net transferred amount in 2018 and 2017, respectively, was shown below:

| | | 2018 | 2017 |
|---|---|---|---|
| Transferred to non-current assets held-for-sale | $ | (80,964) | (37,186) |
| Accounts receivable traded for house transferred to construction in progress | | 12,229 | - |
| Non-current assets held-for-sale transferred to building | | 64,876 | 9,798 |

| | | | |
|---|---|---|---|
| Inventories transferred to property, plant and equipment | | 396 | 913 |
| Prepayment for equipment transferred to all kinds of equipment and construction in progress | | 17,141 | 24,115 |
| Investment property transferred to land and building | | 33,683 | 39,326 |
| Building transferred to accounts receivable | | - | (14,726) |
| Prepayment for goods transferred to property, plant and equipment | | - | 4,016 |
| Total | $ | 47,361 | 26,256 |

(13) Investment properties, net

| | | Land | Buildings | Total |
|---|---|---|---|---|
| Cost or Deemed Cost | | | | |
| Balance at Jan. 1, 2018 | $ | 632,451 | 446,708 | 1,079,159 |
| Disposals | | - | (9,563) | (9,563) |
| Transfers | | (33,093) | (7,334) | (40,427) |
| Effect of exchange rate changes | | - | (1,877) | (1,877) |
| Balance at Dec. 31, 2018 | $ | 599,358 | 427,934 | 1,027,292 |
| Balance at Jan. 1, 2017 | $ | 659,693 | 454,342 | 1,114,035 |
| Disposals | | - | (4,245) | (4,245) |
| Transfers | | (27,242) | (1,337) | (28,579) |
| Effect of exchange rate changes | | - | (2,052) | (2,052) |
| Balance at Dec. 31, 2017 | $ | 632,451 | 446,708 | 1,079,159 |
| Accumulated depreciation and impairment | | | | |
| Balance at Jan. 1, 2018 | $ | (818) | (222,138) | (222,956) |
| Depreciation expense | | - | (7,992) | (7,992) |
| Disposals | | - | 1,075 | 1,075 |
| Transfers | | - | 19,627 | 19,627 |
| Gain from impairment recovery | | - | 590 | 590 |
| Effect of exchange rate changes | | - | 476 | 476 |
| Balance at Dec. 31, 2018 | $ | (818) | (208,362) | (209,180) |

| | | | | |
|---|---|---|---|---|
| Balance at Jan. 1, 2017 | $ | (818) | (224,603) | (225,421) |
| Depreciation expense | | - | (9,636) | (9,636) |
| Disposals | | - | 636 | 636 |
| Reversal of impairment | | | | |
| Transfers | | - | 10,961 | 10,961 |
| Effect of exchange rate changes | | - | 504 | 504 |
| Balance at Dec. 31, 2017 | $ | (818) | (222,138) | (222,956) |
| Carrying amounts | | | | |
| Dec. 31, 2018 | $ | 598,540 | 219,572 | 818,112 |
| Dec. 31, 2017 | $ | 631,633 | 224,570 | 856,203 |

| | | 2018 | 2017 |
|---|---|---|---|
| The rental income from investment properties | $ | 24,624 | 24,886 |
| Less: Direct operating expenses arising from the investment property that generated rental income during the period | | (1,749) | (1,728) |
| Direct operating expenses arising from the investment property that did not generate rental income during the period | | (83) | (87) |
| Total | $ | 22,792 | 23,071 |

The net transferred amount in 2018 and 2017, respectively, was shown below:

| | | 2018 | 2017 |
|---|---|---|---|
| non-current assets held for sale unsold over 2 years transferred to investment properties | $ | 12,883 | 21,708 |
| Investment properties transferred to land and building | | (33,683) | (39,326) |
| Total | $ | (20,800) | (17,618) |

a. The aforementioned assets were mortgaged to banks as collaterals, please refer to Note 8.

b. There is no significant part of the aforesaid investment properties, and the related depreciation is calculated using the estimated useful lives, please refer to Note 4(13).

c. The fair value of the Company's investment properties refers to the actual registered selling prices of the nearby real estates provided by local agents in Taiwan, R.O.C., and the fair value of Yungtay Elevator (China)

Company's investment properties refers to the information regarding the transaction price of the nearby real estates provided by the agent company in the territory of China. The market price of the aforesaid investment properties is NT$1,684,840 thousand and NT$1,997,812 thousand as at December 31, 2018 and 2017, respectively.

(14) Intangible assets

| | | Goodwill | Computer Software | Membership Qualification of Golf Club | Total |
|---|---|---|---|---|---|
| Cost | | | | | |
| Balance at Jan. 1, 2018 | $ | 252,652 | 125,020 | 10,912 | 388,584 |
| Additions | | - | 3,768 | - | 3,768 |
| Elimination | | - | (1,435) | - | (1,435) |
| Effect of exchange rate changes | | 8,121 | (1,803) | (189) | 6,129 |
| Balance at Dec. 31, 2018 | $ | 260,773 | 125,550 | 10,723 | 397,046 |
| Balance at Jan. 1, 2017 | $ | 273,827 | 127,656 | 11,140 | 412,623 |
| Additions | | - | 6,607 | - | 6,607 |
| Elimination | | - | (7,076) | - | (7,076) |
| Effect of exchange rate changes | | (21,175) | (2,167) | (228) | (23,570) |
| Balance at Dec. 31, 2017 | $ | 252,652 | 125,020 | 10,912 | 388,584 |
| Accumulated amortization and impairment | | | | | |
| Balance at Jan. 1, 2018 | $ | (130,724) | (71,166) | (1,117) | (203,007) |
| Additions | | - | (13,600) | (309) | (13,909) |
| Disposals | | - | - | - | - |
| Elimination | | - | 1,435 | - | 1,435 |
| Impairment loss | | (123,888) | - | - | (123,888) |
| Effect of exchange rate changes | | (6,161) | 1,084 | 22 | (5,055) |
| Balance at Dec. 31, 2018 | $ | (260,773) | (82,247) | (1,404) | (344,424) |
| Balance at Jan. 1, 2017 | $ | (64,400) | (62,560) | (822) | (127,782) |
| Additions | | - | (16,790) | (315) | (17,105) |
| Disposals | | - | - | - | - |
| Elimination | | - | 7,076 | - | 7,076 |
| Impairment loss | | (74,292) | - | - | (74,292) |
| Effect of exchange rate changes | | 7,968 | 1,108 | 20 | 9,096 |
| Balance at Dec. 31, 2017 | $ | (130,724) | (71,166) | (1,117) | (203,007) |

| Carrying amounts | | | | |
|---|---|---|---|---|
| Dec. 31, 2018 | $ - | 43,303 | 9,319 | 52,622 |
| Dec. 31, 2017 | $ 121,928 | 53,854 | 9,795 | 185,577 |

a. After the evaluation of goodwill described in Note 4(16), the resulting impairment loss of goodwill amounted to NT$123,888 thousand and NT$74,292 thousand was recognized in other operating income and expenses, for the years ended December 31, 2018 and 2017, respectively, see Note 6(22).

b. The intangible assets other than goodwill were depreciated using the straight-line method over their useful lives, please refer to Note 4(15).

(15) Long-term prepaid rents

| | |
|---|---|
| Cost | |
| Balance at Jan. 1, 2018 | $ 310,977 |
| Transfers | - |
| Effect of exchange rate changes | (5,390) |
| Balance at Dec. 31, 2018 | $ 305,587 |
| | |
| Balance at Jan. 1, 2017 | $ 317,470 |
| Transfers | - |
| Effect of exchange rate changes | (6,493) |
| Balance at Dec. 31, 2017 | $ 310,977 |
| | |
| Accumulated amortization | |
| Balance at Jan. 1, 2018 | $ (66,295) |
| Amortization expense | (6,462) |
| Effect of exchange rate changes | 1,203 |
| Balance at Dec. 31, 2018 | $ (71,554) |
| | |
| Balance at Jan. 1, 2017 | $ (58,154) |
| Amortization expense | (9,431) |
| Effect of exchange rate changes | 1,290 |
| Balance at Dec. 31, 2017 | $ 66,295 |

| Carrying amounts | | |
|---|---|---|
| Dec. 31, 2018 | $ | 234,033 |
| Dec. 31, 2017 | $ | 244,682 |

The aforesaid long-term prepaid rents refer to the land-use right which Yungtay Elevator (China), Tainjin Yungtay, Sichuan Yungtay and Shanghai Jiyi have leased from Mainland China for 50 years of lease term. The land-use right is amortized using the straight-line method.

(16) Other payables

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Accrued bonus, wages and welfare fee | $ | 411,838 | 457,079 |
| Accrued VAT payable | | 45,450 | 33,539 |
| Accrued agency commission | | 167,917 | 191,115 |
| Compensation payable to employees, directors and supervisors | | 36,846 | 46,196 |
| Payables on equipment | | 14,676 | 29,661 |
| Accrued short-term paid leave payable (refer to Note 6(19)) | | 47,697 | 47,106 |
| Other payables-other | | 131,930 | 202,883 |
| Total | $ | 856,354 | 1,007,579 |

(17) Contract liabilities-current and advances received

| | | December 31 2018 |
|---|---|---|
| Contract liabilities - current | | |
| Elevator | $ | 6,013,578 |
| Construction machinery | | 34,368 |
| Rental | | 1,494 |
| Others | | 528 |
| Total | $ | 6,049,968 |

| | | December 31 2017 |
|---|---|---|
| Advances received | | |
| Elevator | $ | 7,401,641 |
| Construction machinery | | 34,533 |
| Rental | | 2,124 |
| Total | $ | 7,438,298 |

(18) Deposit received

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Deposit from agent's installation | $ | 55,775 | 57,095 |
| Tender security | | 58,003 | 53,246 |
| Rental deposit | | 4,520 | 4,384 |
| Total | $ | 118,298 | 114,725 |

(19) Employees' retirement benefit plans

a. Defined benefit plans

The amounts arising from the defined benefit obligation of the Group were as follows:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Present value of defined benefit obligation | $ | (1,679,914) | (1,695,108) |
| Fair value of plan assets | | 1,166,392 | 978,394 |
| Net defined benefit liability | $ | (513,522) | (716,714) |

The Group has defined benefit plans under the R.O.C. Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Group contributes an amount equal to 15% of salaries paid each month to their respective pension funds (the Funds) in 2018 and 2017, which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan. Before the end of each year, the Group assesses the balance in the Funds. If the amount of the balance in the Funds is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in once or several times appropriation. The Funds are operated and managed by the government's designated authorities; as such, the Group does not have any right to intervene in the investments of the Funds.

(a) Movements in the present value of the defined benefit obligation were as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Balance, beginning of year | $ | 1,695,108 | 1,708,901 |
| Current service cost and interest expense | | 41,180 | 47,456 |
| Remeasurement losses (gains): | | | |
| Actuarial loss arising from experience adjustments | | (12,143) | 59,285 |
| Actuarial loss (gain) arising from changes in financial assumptions | | (6) | - |
| Actuarial loss arising from changes in demographic assumptions | | 37,769 | 39,884 |
| | | (75,568) | (151,597) |
| Benefits paid from plan assets | | (6,426) | (8,821) |
| Balance, end of year | $ | 1,679,914 | 1,695,108 |

(b) Movements in the fair value of the plan assets were as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Balance, beginning of year | $ | 978,394 | 228,065 |
| Interest income | | 10,627 | 3,276 |
| Remeasurement losses: | | | |
| Return on plan assets (excluding amounts included in net interest expense) | | 19,793 | 1,944 |
| Contributions from employer | | 229,951 | 890,267 |
| Benefits paid from plan assets | | (72,373) | (145,158) |
| Balance, end of year | $ | 1,166,392 | 978,394 |

(c) The pension costs of the aforementioned defined benefit plans were recognized in profit or loss by the following categories:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Cost of revenue | $ | 25,954 | 26,946 |
| Administrative expenses | | 1,808 | 14,167 |
| Research and development expenses | | 2,482 | 2,488 |
| Pension costs | $ | 30,244 | 43,601 |

(d) The Group expects to make contributions of NT$72,175 thousand to the defined benefit plans in the next year starting from December 31, 2018. The weighted average duration of the defined benefit obligation is 9 years.

b. Defined contribution plans

The plan under the R.O.C. Labor Pension Act (the "Act") is deemed a defined contribution plan. Pursuant to the Act, the Group has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Furthermore, the subsidiaries in the territory of Mainland China also make monthly contributions at certain percentages of the basic salary of their employees. Accordingly, the Group recognized expenses of NT$300,665 thousand and NT$351,100 thousand for the years ended December 31, 2018 and 2017, respectively.

c. Short-term paid leave payable

The Group recognized short-term paid leave payable of NT$47,697 thousand and NT$47,106 thousand as of December 31, 2018 and 2017, respectively.

(20) Equity

a. Capital stock

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| (a) Authorized shares (in thousands) | | 460,000 | 460,000 |
| Authorized capital | $ | 4,600,000 | 4,600,000 |
| Issued and paid shares (in thousands) | | 410,820 | 410,820 |
| Issued capital | $ | 4,108,200 | 4,108,200 |

(b) The Company has 408,690,200 shares outstanding at the beginning and the ending of year (the treasury stocks of 2,129,800 excluded), for the years ended December 31, 2018 and 2017.

b. Capital surplus

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital and mergers) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be appropriated as stock dividends, which are limited to not more than 10% of the Company's paid-in capital.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that, when allocating the net profits for each fiscal year, the Company shall first offset its losses in previous years and then set aside the following items accordingly:

(a) Legal reserve at 10% of the remaining profit;

(b) Special reserve in accordance with the resolution in the shareholders' meeting;

(c) Any balance remaining shall be allocated according to the resolution in the shareholders' meeting.

The Company's profit distribution, at least 50% of which should be dividends and the proportion of cash dividends shall be at least 50% of the total dividends, depending on future expansion plans and cash needs.

The appropriation for legal reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends and bonuses to the extent that the portion exceeds 25% of the paid-in capital if the Company incurs no loss.

A special reserve equivalent to the net debit balance of other components of shareholders' equity such as exchange differences on the translation of foreign operations, shall be made from unappropriated earnings. Any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of earnings for 2016 and 2015 were approved in the Company shareholders' meetings held on June 6, 2017 and June 6, 2016, respectively. The appropriations and dividends per share were as follows:

| | | Appropriation of Earnings | | Dividends Per Share (NT$) | |
|---|---|---|---|---|---|
| | | For Fiscal Year 2017 | For Fiscal Year 2016 | For Fiscal Year 2017 | For Fiscal Year 2016 |
| Legal reserve | $ | 112,789 | 155,500 | - | - |
| Cash dividends to shareholders | $ | 821,640 | 985,968 | 2.0 | 2.4 |

The Company's appropriations of earnings for 2018 was approved in the Board of Directors meeting held on March 15, 2019. The appropriations and dividends per share were as follows:

| | | Appropriation of Earnings | Dividends Per Share (NT$) |
|---|---|---|---|
| | | For Fiscal Year 2018 | For Fiscal Year 2017 |
| Legal reserve | $ | 67,475 | |
| Special reserve | | 923 | |
| Cash dividends to shareholders | | 739,476 | 1.8 |
| Total | $ | 807,874 | |

The appropriations of earnings for 2018 are to be resolved in the Company shareholders' meeting which is expected to be held on June 18, 2019.

d. Employees' compensation and remuneration to directors and supervisors

The Company shall allocate employees' compensation and remuneration to directors and supervisors of no less than 1% and no more than 1% of net income before tax which is not deducted from employees' compensation and remuneration to directors, respectively. The Company shall first offset its losses in previous years then allocate employees' compensation and remuneration to directors.

For 2018 and 2017, the Company accrued employees' compensation and remuneration to directors which had been approved in the Board of Directors meeting held on March 15, 2019 and March 15, 2018, respectively, and were based on a certain percentage of net income before tax without deduction of the employees' compensation and remuneration to directors and supervisors. The accrued amounts were as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Employees' compensation | $ | 38,249 | 42,608 |
| Remuneration to directors and supervisors | $ | 4,250 | 4,734 |

The aforementioned amount is the same as the amount which had been charged against expenses of 2018 and 2017, respectively.

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

The information about appropriations of the Company's employees' compensation and remuneration to directors and supervisors is available on the Market Observation Post System website.

e. Other equity

(a) Exchange differences on translation of foreign operations

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Balance, beginning of year | $ | 155,476 | 365,147 |
| Exchange differences on translation of foreign operation | | (126,295) | (205,088) |
| Share of exchange differences of associates accounted for using equity method | | (4,425) | (4,583) |
| Balance, end of year | $ | 24,756 | 155,476 |

(b) Unrealized gain (loss) on financial assets at FVTOCI

| | | Years Ended December 31 |
|---|---|---|
| | | 2018 |
| Balance, beginning of year (IAS 39) | $ | - |
| Effect of retrospective application of IFRS 9: | | |
| Changes in share of other comprehensive income (loss) of associates accounted for using equity method | | (3,242) |
| Changes in fair value of available-for-sale financial assets in 2017 | | (8,719) |
| Cumulative impairments of stock in vestments measured at cost in 2017 | | (3,008) |
| Restated balance, beginning of year (IFRS 9) | | (14,969) |
| Changes in share of other comprehensive income (loss) of associates accounted for using equity method | | (909) |
| Recognized during the period | | (9,801) |
| Balance, end of year | $ | (25,679) |

The equity instruments at FVTOCI are measured at fair value, the changes of fair value in the subsequent period are accounted for other comprehensive income (loss) and accumulated into other equity. The cumulative unrealized gain or loss of equity instruments is directly transferred to retained earnings rather than reclassified to profit or loss when disposal.

(c) Unrealized gain (loss) on available-for-sale financial assets

| | | Amount |
|---|---|---|
| Balance, January 1, 2018 (IAS 39) | $ | (8,719) |
| Effect of retrospective application of IFRS 9 | | 8,719 |
| Restated balance, beginning of year (IFRS 9) | $ | - |
| | | |
| Balance, January 1, 2017 | $ | (1,621) |
| Changes in share of other comprehensive income (loss) of associates accounted for using equity method | | 645 |
| Recognized during the period | | (7,743) |
| Balance, December 31, 2017 | $ | (8,719) |

Unrealized gains or losses on available-for-sale financial assets represent the cumulative gains or losses arising from the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income netting the amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

f. Treasury stock

The purpose of the Company's shares held by the subsidiary "Yungjiun" is to reduce the outstanding shares of the Company and accordingly to raise the earning per share and rate of return on equity. The relevant information in repect of the Company's share held by the subsidiary "Yungjiun" was as follows:

| | Holding Shares | | Initial Cost | Market Price |
|---|---|---|---|---|
| December 31, 2018 | 2,129,800 | | 69,411 | 126,084 |
| December 31, 2017 | 2,129,800 | $ | 69,411 | 102,337 |

(21) Operating revenue

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Net revenue from sales of goods | $ | 10,572,410 | 12,738,060 |
| Net revenue from services | | | |
| Maintenance and repair | | 4,261,531 | 3,989,220 |
| Rental | | 24,687 | 24,937 |
| Total | $ | 14,858,628 | 16,752,217 |

a. The above-mentioned revenue of maintenance and repair is deferred based on the fair value of providing services when the Group sells the goods during the period of quality guarantee by individual contract, and the revenue of maintenance and repair is recognized by using straight-line method when providing services.

b. The deferred revenue is classified as current and noncurrent in accordance with the length of service as follows:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Current | $ | 269,051 | 322,221 |
| Non-current | $ | 91,131 | 125,680 |

c. Rental refers to the revenue from leasing investment property and computer host. Revenue is recognized when completing the performance obligation of the contract.

d. Disaggregation of revenue from contracts with customers

Please refer to Note 14: Segments Information (2).

e. Contract balances

Contract liabilities-current

| | | Beginning balance | Ending balance | Difference |
|---|---|---|---|---|
| Net revenue from sales of goods | $ | 7,438,298 | 6,049,968 | 1,388,330 |

The Group recognized the revenue for the year ended December 31, 2018 due to the decrease of contract liabilities resulting from the satisfaction of performance obligation.

f. Obtaining the incremental cost of contract

Please see Note 6(7).

(22) Non-operating income and expenses

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| a. Other income | | | |
| Interest income-bank deposit | $ | 63,635 | 27,175 |
| Dividend income | | 12,406 | 6,554 |
| Total | $ | 76,041 | 33,729 |
| b. Government grants | $ | 11,891 | 43,452 |
| c. Other gains and losses | | | |
| Net gain on financial instruments at FVTPL | $ | (4,756) | 29,481 |
| Reversal of impairment (loss) -non-current assets held for sale | | (414) | (5,478) |
| Gain from recovery of impairment-investment properties | | 590 | - |
| Net gain on disposal of property, plant and equipment | | 10,123 | 3,603 |
| (Loss) on disposal of investment properties | | (467) | (96) |
| Net (loss) gain on disposal of non-current assets held for sale | | - | (464) |
| Gain on disposal of other assets (golf card) | | - | 3,780 |
| Net (loss) on obsolescence of property, plant and equipment | | (3,045) | (18,168) |
| Penalty and compensation (expenses) income | | 21,705 | 62,261 |
| Foreign exchange (loss), net | | (246) | (15,077) |
| Impairment (loss) on goodwill | | (123,888) | (74,292) |
| Other income transferred from overdue consignment fee accured | | 36,680 | - |
| Other gains | | 46,360 | 19,021 |
| Total | $ | (17,358) | 4,571 |

d. Finance costs

| | | | |
|---|---|---|---|
| Interest expense-bank loans | $ | (105) | (89) |

| | | | |
|---|---|---|---|
| e. Shares of (loss)/profit of associates accounted for using equity method | $ | 8,566 | (11,683) |

(23) Summary of employee benefits, depreciation and amortization expenses by function:

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Operating Cost | Operating Expense | Total | Operating Cost | Operating Expense | Total |
| Employee benefits expenses | | | | | | |
| Salaries | 1,925,917 | 1,120,806 | 3,046,723 | 1,889,203 | 1,349,501 | 3,238,704 |
| Labor and health insurance | 193,173 | 91,459 | 284,632 | 187,453 | 107,945 | 295,398 |
| Pension cost | 200,733 | 132,186 | 332,919 | 226,116 | 170,374 | 396,490 |
| Other benefits expenses | 198,284 | 71,961 | 270,245 | 196,008 | 77,852 | 273,860 |
| Depreciation expenses | 222,580 | 162,171 | 384,751 | 220,148 | 173,519 | 393,667 |
| Amortization expenses | 112 | 13,797 | 13,909 | 4 | 17,101 | 17,105 |

As of December 31, 2018 and 2017, the Group had employees of 5,196 and 5,149, respectively, and the computing basis was consistent with that of employee benefits expenses.

(24) Income tax

a. Income tax expense consisted of the following:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Current income tax expense | | | |
| Current tax expense recognized in the current year | $ | 218,578 | 115,461 |
| Income tax on unappropriated earnings | | 11,150 | 39,631 |
| Investment tax credit | | (3,000) | (3,000) |
| Land incremental tax | | 99 | - |
| | | 226,827 | 152,092 |
| Deferred income tax expense (benefit) | | | |
| Temporary differences | | 120,967 | 239,642 |
| Effect of deferred tax resulting from changes of income tax rate | | (24,868) | - |
| Income tax expense recognized in profit or loss | $ | 322,926 | 391,734 |

b. Income tax (benefit) recognized in other comprehensive income

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Deferred income tax (benefit) | | | |
| Related to remeasurement of defined benefit obligation | $ | (1,165) | (16,529) |

c. A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Income before tax | $ | 1,054,669 | 1,548,903 |
| | | | |
| Income tax expense at the statutory rate | $ | 224,029 | 316,133 |
| Tax effect of adjusting items: | | | |
| Deductible items in determining taxable income | | (4,688) | (54,243) |
| Supplementary pension cost according to Labor Law | | - | (146,429) |
| Undeductible loss carryforward | | (763) | - |
| Additional income tax on unappropriated earnings | | 11,150 | 39,631 |
| Tax effect of investment tax credits | | (3,000) | (3,000) |
| The origination and reversal of temporary differences | | 120,967 | 239,642 |
| Land incremental tax | | 99 | - |
| Effect of deferred tax resulting from changes of income tax rate | | (24,868) | - |
| Income tax expense recognized in profit or loss | $ | 322,926 | 391,734 |

On February 7, 2018, the Income Tax Law in the R.O.C. was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the tax rate applicable to unappropriated earnings will be reduced from 10% to 5%.

d. The analysis of deferred income tax assets and liabilities in the consolidated balance sheets was as follows:

| | Years Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Deferred income tax assets | | |
| Differences of time of recognized revenue | $ 235,784 | 285,576 |
| Short-term employees' benefits | 10,637 | 9,489 |
| Bad debts loss | 95,078 | 113,203 |
| Loss provision for non-current assets held for sale and investment properties | 1,755 | 1,830 |
| Accrued expenses | 41,979 | 71,021 |
| Unrealized sales profit among parent and subsidiaries | 7,552 | 29,488 |
| Differences of depreciation expenses | 138 | 156 |
| Unrealized foreign exchange loss | 6,461 | 5,373 |
| Unrealized investment loss of investee Co. | 1,826 | 1,552 |
| Temporary credits overdue 2 years | 36 | 7 |
| Difference of pension appropriation | 102,705 | 88,785 |
| Undeductible loss carryforward | 129,237 | 131,517 |
| Total | $ 633,188 | 737,997 |
| | | |
| Deferred income tax liabilities | | |
| Land incremental tax | $ (2,702) | (2,702) |
| Temporary differences of depreciation expense | (3,394) | (4,166) |
| Total | $ (6,096) | (6,868) |

e. Integrated income tax information of the Company was as follows:

| | December 31 2018 | December 31 2017 |
|---|---|---|
| Unappropriated earnings before 1997 | $ - | 1,191,376 |
| Unappropriated earnings from 1998 to 2009 | - | 37,519 |
| Unappropriated earnings after 2010 | - | 3,007,337 |
| Total | $ - (Note) | 4,236,232 |
| | | |
| Balance of the Imputation Credit Account | $ - (Note) | 354,229 |

Note: Effective from January 1, 2018, integrated income tax system was abrogated and imputation credit account is no longer applicable based on amended R.O.C. Income Tax Law promulgated in February 2018.

f. Income tax assessments

The tax authorities have examined income tax returns of the Company through 2016.

(25) Earnings per share

The Company is said to have a simple capital structure, accordingly, there is no necessity to compute the diluted earnings per share. The information of computing the basic earnings per share and the weighted-average number of common stocks outstanding (treasury stocks excluded) was as follows:

| | Years Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Net income available to common shareholders of the parent | 674,747 | 1,127,886 |
| The weighted-average number of shares outstanding in computing the basic earnings per share | 408,690,200 | 408,690,200 |
| Basic earnings per share (NT$) | 1.65 | 2.76 |

(26) Non-cash transactions in the Statements of Cash Flows

Only partial cash paid in investing activities:

| | Years Ended December 31 | |
|---|---|---|
| | 2018 | 2017 |
| Acquisition of property, plant and equipment | $ 57,242 | 165,273 |
| Plus: payables on equipment at beginning of year | 29,661 | 59,346 |
| Less: payables on equipment at ending of year | (14,676) | (29,661) |
| Effect of exchange rate changes | (390) | (908) |
| Cash paid in the year | $ 71,837 | 194,050 |

7. Related party transactions

Intercompany balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation; therefore those items are not disclosed in this note. The following is a summary of significant transactions between the Group and other related parties:

(1) Related party name and categories

| Related Party Name | Related Party Categories |
|---|---|
| Taiwan Calsonic Co., Ltd. (TWNCAL) | Associates |
| Yungtay Hitachi Construction Machinery Co., Ltd. | Other related parties |
| Evest Corporation | Associates |
| Yungtay Education and Culture Foundation (YECF) | Other related parties |
| Yungtay Social Welfare Foundation (YSWF) | Other related parties |
| Key management personnel (including diretors) | |

(2) Significant transactions between the Group and related parties:

a. Sales revenue

| | Years Ended December 31 | |
|---|---|---|
| Related Party Categories | 2018 | 2017 |
| Associates | $ 680 | - |

b. Maintenance Revenue

| | Years Ended December 31 | |
|---|---|---|
| Related Party Categories | 2018 | 2017 |
| Associates | $ 79 | 109 |

c. Rental Income

| | Years Ended December 31 | |
|---|---|---|
| Related Party Categories | 2018 | 2017 |
| Associates | $ 6,691 | 6,691 |

| | Accounts and Notes Receivable | |
|---|---|---|
| Related Party Categories | December 31, 2018 | December 31, 2017 |
| Associates | $ 2,355 | 1,956 |

d. Purchases

| | Years Ended December 31 | |
|---|---|---|
| Related Party Categories | 2018 | 2017 |
| Associates | $ 676 | 1,191 |
| Others | 486,782 | 358,143 |
| Total | $ 487,458 | 359,334 |

| Related Party Categories | Accounts and Notes Payable | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| Associates | $ 86 | 689 |
| Others | 108,294 | 130,262 |
| Total | $ 108,380 | 130,951 |

e. Others

| Accounting Items | Related Party Categories | December 31, 2018 | December 31, 2017 |
|---|---|---|---|
| Other receivable | Associates | $ 195 | 186 |
| Advances received | Associates | $ 528 | - |
| Deposit received | Associates | $ 577 | 577 |
| Management expenses | Associates | $ 381 | 29 |
| Manufacturing overhead | Associates | $ 3 | 69 |
| Maintenance cost | Associates | $ 395 | 795 |
| Installations cost | Associates | $ 2 | - |
| Finance cost | Associates | $ (6) | (6) |
| Other income | Associates | $ 539 | 581 |
| | Others | 1,341 | 511 |
| | Total | $ 1,880 | 1,092 |
| General and administrative expenses-Donation | Other-YSWF | $ 2,100 | 2,100 |
| | Other-YECF | 6,300 | 6,300 |
| | Total | $ 8,400 | 8,400 |

f. Property transactions: Nil

g. Compensation of directors, and key management personnel

| Related Party Categories | | Years Ended December 31 2018 | 2017 |
|---|---|---|---|
| Short-term employee benefits | $ | 89,457 | 141,547 |
| Post-employment benefits | | 322 | 326 |
| Other long-term employee benefits | | 50 | 49 |
| Total | $ | 89,829 | 141,922 |

The remuneration to directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and the market trends.

8. Pledged (Mortgaged) assets

The Group provided the following assets as collaterals:

| Item | Purpose | | December 31, 2018 | December 31, 2017 |
|---|---|---|---|---|
| Current assets- refundable deposits (Restricted bank deposits) | Contract security deposit | $ | 121,528 | 276,082 |
| Property, plant and equipment and investment properties -Land | Collateral for long -term bank loans (net yet revoked) | | 458,051 | 988,051 |
| Property, plant and equipment and investment properties -Buildings | Collateral for long -term bank loans (net yet revoked) | | 17,664 | 224,535 |
| Total | | $ | 597,243 | 1,488,668 |

9. Significant contingent liabilities and unrecognized contract commitments

(1) Lessee's lease arrangements

The future lease payment under the non-cancellable operating lease are as follows:

| | | Years Ended December 31 2018 | 2017 |
|---|---|---|---|
| Not later than 1 year | $ | 8,499 | 12,795 |
| Later than 1 year and not later than 5 years | | 7,358 | 8,763 |
| Later than 5 years | | - | - |
| Total | $ | 15,857 | 21,558 |

The above operating leases classified under profit or loss amounted to NT$60,863 thousand and NT$88,590 thousand in 2018 and 2017, respectively.

(2) Lessor's lease arrangements

The Group leased its investment properties by way of operating lease, please refer to Note 6(13). The future minimum lease receivable under the non-cancellable leasing period is as follows:

| | | Years Ended December 31 | |
|---|---|---|---|
| | | 2018 | 2017 |
| Not later than 1 year | $ | 6,214 | 10,707 |
| Later than 1 year and not later than 5 years | | 3,648 | 3,908 |
| Later than 5 years | | - | - |
| Total | $ | 9,862 | 14,615 |

(3) The amount of unused letters of credit: Nil.

(4) The Company and Yungtay Hitachi Construction Machinery Co., Ltd. received the downpayments and issued the secured promissory notes amounting to NT$142,540 thousand and NT$237,091 thousand as of December 31, 2018 and 2017, respectively.

(5) The Company engaged the banks to contract the project performance bonds as below:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Chang Hwa Bank - Chengtung Branch | $ | 35,467 | 59,673 |
| Mizuho Bank – Taipei Branch | | 2,005 | - |
| Mega Bank – Chungshan Branch | | 6,479 | - |
| Total | $ | 43,951 | 59,673 |

(6) Yungtay Elevator (China) got the comprehensive credit line of US$6,000 thousand from Mizuho Corporate bank Ltd. (China), among which the balance of the opened and unused letters of credit is as follows:

| Currency | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| U.S. Dollars (in thousand) | $ | - | - |

(7) In order to improve the production technology and enhance the quality of production, the Company has signed the following contracts with Hitachi, Ltd.:

| Contract period | Technical cooperation products | Technical compensation fee |
|---|---|---|
| Sep. 30, 2014 ~Sep. 29, 2019 | Providing the installation, adjustment, check, maintenance and related techniques | Pays US$50 per elevator, and royalty be paid once a year. |
| June 1, 2015 ~May 31, 2020 | High-speed inverter control lift | Pay US$300 on disposal of each elevator, and royalty be paid once a year. |
| May 22, 2017 ~May 21, 2022 | Machine-roomless elevator | Pay US$300 on disposal of each elevator, and royalty be paid once a year. |
| May 22, 2017 ~May 21, 2022 | Large freight elevator | Pay US$300 on disposal of each elevator, and royalty be paid once a year. |
| Nov. 1, 2016 ~Oct. 31, 2021 | Gearless high-speed elevator | Pay US$300 on disposal of each elevator, and royalty be paid once a year. |

(8) Significant contract of property, plant and equipment-construction in progress: Nil.

(9) Yungtay Hitachi Construction Machinery Co., Ltd. (YHCMC) sold one crane (SCX 2800-2) to customer named Kuan Zon Construction Co., Ltd. This transaction dispute lawsuit was in relation to goods with the total price of JP¥ 180,000,000 (equivalent to NT$70,562,700). The verdict of Taiwan Supreme Court to this case was to confirm that this sales transaction did exisit effectively and that it was not necessary to return the consideration. YHCMC reversed the account of allowance for inventory decline loss amounting to NT$40,000,000 and the account of allowance for sales returns amounting to NT$63,000,000. In the meantime, the inventory in transit was transferred to cost of goods sold amounting to NT$63,000,000. The payment for goods has been collected without mistake.

10. Significant loss from disaster: Nil.

11. Significant subsequent events:

(1) The Company were aware of the fact on January 16, 2019 that Taiwan Hitachi Elevator Co. Ltd. (100% subsidiary owned by Hitachi, Ltd., hereinafter offeror) would acquire the Company's shares, with consideration of NT$60 per share,

through the way of public tender offer. The predicted maximum shares acquired were 360,964,461 shares [accounted for almost 88.32% of the Company's issued shares (treasury stocks and the Company's shares owned by public acquirer-one single shareholder-Hitachi, Ltd. and its subsidiaries were excluded)] and the predicted minimum shares acquired were 88,504,328 shares [accounted for almost 21.66% of the Company's issued shares (treasury stocks were excluded)]. The period of public tender offer began from January 17, 2019 and ended up with March 7, 2019. The completion of public tender offer should be accompanied by the prerequisite that the case of public tender offer by offeror should be approved by Ministry of Economics Investment Review Committee and be permitted by Fair Trade Commission as well as the number of the effective shares to be sold of the Company's up to the minimum shares acquired.

Moreover, the Board of Directors of the Company set up the Review Committee in accordance with Article 14-1 of "Regulations Governing Public Tender Offers for Securities of Public Companies" on January 18, 2019. After the verification of the Review Committee held on January 28, 2019 and the Board of Directors of the Company held on January 29, all members of the Review committee and over two thirds of all directors agreed this case of public tender offer and took it for granted that the terms of public tender offer of offeror has complied with the principles of fairness and reasonableness.

The Company got the notification on March 6, 2019 that the period of public tender offer has been extended to April 22, 2019 from originally predicted January 17, 2019 to March 7, 2019.

The reasons of extending the period of public tender offer were as follows:

a. One of the two conditions of this public tender offer lies in the offeror's getting the approval from Ministry of Economics Investment Review Committee ("MOEIRC").
b. The other of the two conditions of this public tender offer lies in the offeror's getting the decision of not prohibiting binding from fair Trade Commission ("FTC"). The offeror has already prepared the relevant documentation declared to FTC for binding, but the review has been still underway.

(2) The Company got the notice that the first interim shareholders' meeting of the Company in 2019, held on April 18, was convened by one of the Company's independent directors in accordance with Article 14-4 of Securities Exchange Act and Article 220 of Company Act. The reason for convening the first

shareholders' meeting of the Company in 2019 is to re-elect the nineteenth 9 directors' candidates among whom 3 directors are independent.

(3) The aforementioned information please refer to Market Observation Post System for details.

12. Others

(1) Financial instruments

a. Categories of financial instruments

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Financial assets | | | |
| FVTPL-current | $ | 529,668 | 211,202 |
| FVTOCI-current and non-current | | 173,980 | - |
| Available-for-sale financial assets-current (Note) | | - | 184,889 |
| Cash and cash equivalents | | 3,875,535 | 4,135,644 |
| Notes and accounts receivable (including related party) | | 3,679,784 | 3,645,962 |
| Other receivables | | 8,736 | 19,774 |
| Refundable deposits | | 300,211 | 478,661 |
| Other non-current assets-others (preferred stock-golf certificate) | | 5,520 | 5,520 |
| Other non-current assets-long-term notes receivable | | 22,029 | 540 |
| Financial liabilities | | | |
| FVTPL-current | $ | - | 5,529 |
| Notes and accounts payable (including related party) | | 2,032,069 | 2,357,476 |
| Other payables | | 856,354 | 1,007,579 |
| Current income tax liabilities | | 233,190 | 67,039 |
| Net defined benefit liabilities-non-current | | 513,522 | 716,714 |
| Deposits received | | 118,298 | 114,725 |

Note: Including financial assets carried at cost.

b. Credit risk

(a) Exposure of credit risk

The Group's main operating revenue comes from the sale of elevator. The majority of costumers belong to constructions. As at December 31, 2018 and 2017, the accounts receivable of selling elevators accounted for 98.50% and 99.25% of all accounts receivable, respectively.

(b) Evaluation of impairment loss

The allowance for bad debts of the accounts receivable of the Group was based economic environment, past behavior of collection and credit rating of all level of clients. There was no significant impairment loss of collectability of the Group's receivables as of December 31, 2017.

c. Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements associated with existing operations over the next 12 months. The Group manages its liquidity risk by maintaining adequate cash and cash equivalent.

| December 31, 2018 | | Carrying Amount | Contract Cash Flows | Less Than 1 Year | 1~2 Years | 2~Years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Notes payable | $ | 332,280 | 332,280 | 332,280 | - | - |
| Accounts payable | | 1,699,789 | 1,699,789 | 1,699,789 | - | - |
| Other payables | | 856,354 | 856,354 | 856,354 | - | - |
| Current income tax liabilities | | 233,190 | 233,190 | 233,190 | - | - |
| Net defined benefit liabilities-non current | | 513,522 | 513,522 | - | - | 513,522 |
| Deposits received | | 118,298 | 118,298 | - | 80,185 | 38,113 |

| December 31, 2017 | | Carrying Amount | Contract Cash Flows | Less Than 1 Year | 1~2 Years | 2~Years |
|---|---|---|---|---|---|---|
| Non-derivative financial liabilities | | | | | | |
| Notes payable | $ | 355,411 | 355,411 | 355,411 | - | - |
| Accounts payable | | 2,002,065 | 2,002,065 | 2,002,065 | - | - |
| Other payables | | 1,007,579 | 1,007,579 | 1,007,579 | - | - |
| Current income tax liabilities | | 67,039 | 67,039 | 67,039 | - | - |
| Net defined benefit liabilities-non current | | 716,714 | 716,714 | - | - | 716,714 |
| Deposits received | | 114,725 | 114,725 | - | 69,220 | 45,505 |

d. Exchange rate risk

· The following information was summarized according to the foreign currencies other than the functional currency of the Company. The exchange rates disclosed were used to translate the foreign currencies into the functional currency. The significant financial assets and liabilities denominated in foreign currencies were as follows:

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) |
|---|---|---|---|
| December 31, 2018 | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD | 4,670 | 30.665 | 143,205 |
| JPY | 156,205 | 0.2762 | 43,144 |
| RMB | 2,299 | 4.447 | 10,222 |
| HKD | 51 | 3.891 | 198 |
| EUR | - | 35 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 714 | 30.765 | 21,965 |

| | Foreign Currencies (In Thousands) | Exchange Rate | Carrying Amount (In Thousands) |
|---|---|---|---|
| December 31, 2017 | | | |
| Financial asset | | | |
| Monetary items | | | |
| USD | 2,419 | 29.71 | 71,860 |
| JPY | 187,136 | 0.2622 | 49,067 |
| RMB | 1,579 | 4.547 | 7,180 |
| HKD | 185 | 3.777 | 698 |
| EUR | - | 35.37 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD | 25 | 29.81 | 740 |

- Sensitivity analysis

| | Years Ended December 31 | |
|---|---|---|
| | 2017 | 2016 |
| (Loss)/profit of 1% change | | |
| USD | $ 1,212 | 711 |
| JPY | 431 | 491 |
| RMB | 102 | 72 |
| HKD | 2 | 7 |
| EUR | - | - |

e. The Group has loan limit from bank, but there is no any loan as of December 31, 2017. Consequently, no exposure of interest rate risk exists.

f. Fair value of financial instruments

(a) Fair value measurements recognized in the consolidated balance sheets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy

The following table presents the Group's financial assets and liabilities measured at fair value on a recurring basis:

| | December 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements: | | | | |
| Financial assets at FVTPL | | | | |
| Fund investments | $ 522,920 | - | - | 522,920 |
| Forward exchange contracts | $ - | 6,748 | - | 6,748 |
| Financial assets at FVTOCI | | | | |
| Domestic listed equity investments | $ 86,156 | - | - | 86,156 |
| Domestic and foreign unlisted equity investments | $ - | - | 87,824 | 87,824 |

| | December 31, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Recurring fair value measurements: | | | | |
| Financial assets at FVTPL | | | | |
| Fund investments | $ 211,202 | - | - | 211,202 |
| Forward exchange contracts | - | (5,529) | - | (5,529) |
| Available-for-sale financial assets | | | | |
| Publicly traded stocks | 95,957 | - | - | 95,957 |
| Total | $ 307,159 | (5,529) | - | 301,630 |

(c) There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2018 and 2017, respectively.

(d) Reconciliation of Level 3 fair value measurements of financial assets

(i) The financial assets measured at Level 3 fair value were equity investments classified as financial assets at FVTOCI. Reconciliations for the year ended December 31, 2018 were as follows:

| | |
|---|---|
| Balance at January 1, 2108 | $ 88,932 |
| Unrealized gain (loss) on investments in equity instruments at FVTOCI | - |
| Proceeds from return of capital of investments-decrease of capital | (1,108) |
| Balance at December 31, 2108 | $ 87,824 |
| Unrealized other gain (loss) for the period | $ - |

(ii) Valuation techniques that are based on significant unobservable inputs and assumptions used in Level 3 are stated as follows:

| Item | Valuation techniques | Significant unobservable inputs | Relationship of input to fair value |
|---|---|---|---|
| Non-derivative equity instruments: | | | |
| Unlisted shares | Market comparative companies | · Price to net worth multiple (0.9%~1.05% as at December 31, 2018)<br>· Discount for lack of marketability (30% as at December 31, 2018) | · The higher the multiple, the higher the fair value;<br>· The higher the discount for lack of marketability, the lower the fair value; |

(iii) Sensitivity analysis in changes of significant unobservable inputs:

The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of other comprehensive income from financial assets and liabilities categorized within Level 3 if the inputs used to valuation models have changed:

| | | | Recognized in other comprehensive income | |
|---|---|---|---|---|
| | Input | Change | Favorable change | Unfavorable change |
| December 31, 2018 | | | | |
| Financial assets | | | | |
| Equity instrument | Discount for lack of marketability | ±5% | 5,597 | (5,597) |

The Group's favorable and unfavorable changes refer to the fluctuation of fair value is computed from valuation techniques based on different level of unobservable input parameter.

(2) Financial risk management objectives

The Group seeks to ensure sufficient cost-efficient funding readily available when needed. The Group manages its exposure to foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material financial activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, Corporate financial function must comply with certain financial procedures that provide guiding principles for overall financial risk management and segregation of duties.

(3) Capital management

The rate of return on capital (excluding interest expense) of the Group was 16.43% and 27.46% in 2018 and 2017, respectively. The ratio of total liabilities to equities leverage ratio on the reporting day in 2018 and 2017 was as follows:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Total liabilities | $ | 10,178,455 | 12,163,901 |
| Less: cash and cash equivalents | | (3,875,535) | (4,135,644) |
| Net liabilities | $ | 6,302,920 | 8,028,257 |
| Total equity | $ | 11,471,589 | 11,764,936 |
| Ratio of net liabilities divided by total equity (Leverage ratio) | | 54.94% | 68.24% |

The way of the Group's capital management has not changed as of December 31, 2018.

13. Additional disclosures

Intercompany balance and significant transactions, directly or indirectly, between the Group and its investees in Mainland China, which are subsidiaries or associates, have been eliminated upon consolidation.

(1) Significant transaction and (2) Related information of reinvestment:

a. Financings provided: Please see Table 1 attached;
b. Endorsement/guarantee provided: Please see Table 2 attached;
c. Marketable securities held (excluding investments in subsidiaries and associates): Please see Table 3 attached;
d. Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital: Please see Table 4 attached;
e. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None;
f. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None;
g. Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital: Please see Table 5 attached;
h. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: Please see Table 6 attached;
i. Information about the derivative financial instruments transaction: Please see Notes 6(2);
j. Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Please see Table 7 attached;
k. Names, locations, and related information of investees over which the Company exercises significant influence (excluding information on investment in Mainland China): Please see Table 8 attached.

(3) Information on investment in Mainland China

a. The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits/losses of investee, ending balance, amount received as dividends from the investee, and the limitation on investee: Please see Table 9 attached.

b. Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in Mainland China on financial reports: Please see Table 7 attached.

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 1

| No. | Financing Company | Counter-party | Financial Statement Account | Related Party | Maximum Balance for the Period (Foreign Currencies in Thousands) | Ending Balance (Foreign Currencies in Thousands) | Amount Actually Drawn (Foreign Currencies in Thousands) | Interest Rate | Nature for Financing | Transaction Amounts | Reason for Financing | Allowance for Bad Debt | Collateral | | Financing Limits for Each Borrowing Company | Financing Company's Total Financing Amount Limits |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | Yungtay Elevator Equipment (China) Co. | Yungtay elevator equipment (Sichuan) Co. | Other Receivables | Yes | RMB 50,000 Thousand (NT$ 233,110 Thousand) | RMB 50,000 Thousand (NT$ 223,400 Thousand) | RMB 50,000 Thousand (NT$ 223,400 Thousand) | 1.5% | Short-term financing | - | The need for operation | - | - | - | NT$ 903,664 thousand | NT$ 4,518,318 thousand |
| 2 | Yungtay Elevator Installation Maintenance (Shanghai) Co. | Yungtay elevator equipment (Sichuan) Co. | Other Receivables | Yes | RMB 45,000 Thousand (NT$ 209,799 Thousand) | RMB 45,000 Thousand (NT$ 201,060 Thousand) | RMB 30,000 Thousand (NT$ 134,040 Thousand) | 1.5% | Short-term financing | - | The need for operation | - | - | - | NT$ 903,664 thousand | NT$ 4,518,318 thousand |
| 2 | Yungtay Elevator Equipment (Tianjin) Co. | Yungtay elevator equipment (Sichuan) Co. | Other Receivables | Yes | RMB 40,000 Thousand (NT$ 186,488 Thousand) | RMB 40,000 Thousand (NT$ 178,720 Thousand) | RMB 40,000 Thousand (NT$ 178,720 Thousand) | 1.75% | Short-term financing | - | The need for operation | - | - | - | NT$ 903,664 thousand | NT$ 4,518,318 thousand |

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

TABLE 2

| No. | Endorsement/ Guarantee Provider | Guaranteed Party | | Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party | Maximum Balance for the Period (Note 2) | Ending Balance | Amount Actually Drawn | Amount of Endorsement/ Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Amount Allowable (Note 1) | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Name | Nature of Relationship | | | | | | | | | | |
| 1 | Yungtay Elevator Equipment (China) Co. | Yungtay Elevator Equipment (Tianjin) Co. | 2 | Not exceeding 1/3 of the net equity of the Company (NT$3,765,265 thousand) | RMB 20,000 thousand (NT$ 93,244 thousand) | RMB 20,000 thousand (NT$ 89,360 thousand) | RMB 20,000 thousand (NT$ 89,360 thousand) | None | 0.79 | Not exceeding 1/2 of the net equity of the Company (NT$5,647,898 thousand) | No | No | No |
| 1 | Yungtay Elevator Equipment (China) Co. | Yungtay Elevator Installation Maintenance (Shanghai) Co. | 2 | Not exceeding 1/3 of the net equity of the Company (NT$3,765,265 thousand) | RMB 20,000 thousand (NT$ 93,244 thousand) | RMB 20,000 thousand (NT$ 89,360 thousand) | RMB 20,000 thousand (NT$ 89,360 thousand) | None | 0.79 | Not exceeding 1/2 of the net equity of the Company (NT$5,647,898 thousand) | No | No | No |

Note 1: The total amount of guarantee shall not exceed 50% of the Company's the net equity.

Note 2: The maximum balance for the period and ending balance represent the amounts approved by the Board of Directors.

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 3

| Held Company Name | Marketable Securities Type and Name | Relationship with the Company | Financial Statement Account | December 31, 2018 | | | |
|---|---|---|---|---|---|---|---|
| | | | | Shares/Units | Carrying Value | Percentage of Ownership (%) | Fair Value |
| The Company | Listed stock-O Commercial Bank | Non-related party | Financial assets at FVTPL-current | 3,015,000 | 24,120 | 0.12% | 24,120 |
| | Beneficiary certificate-ETF, CFA 50 | " | " | 30,000 | 497 | - | 497 |
| | Beneficiary certificate (open-end)<br>-Franklin Templeton SinoAm New World Fund | " | " | 195,160 | 2,771 | - | 2,771 |
| | Beneficiary certificate (open-end)<br>- Franklin Templeton SinoAm Money Market Fund | " | " | 4,858,378 | 50,143 | - | 50,143 |
| | Beneficiary certificate (open-end)<br>-TSITC Taiwan Money Market Fund | " | " | 3,279,334 | 50,097 | - | 50,097 |
| | Beneficiary certificate (open-end)<br>-Mega Diamond Money Market Fund | " | " | 3,998,784 | 50,072 | - | 50,072 |
| | Beneficiary certificate (open-end)<br>-Taishin 1699 Money Market Fund | " | " | 3,704,829 | 50,043 | - | 50,043 |
| | Beneficiary certificate (open-end)<br>-Yuanta De-Li Money Market Fund | " | " | 3,073,367 | 50,037 | - | 50,037 |
| | Beneficiary certificate (open-end)<br>-Prudential Financial Money Market Fund | " | " | 3,167,705 | 50,030 | - | 50,030 |
| | Beneficiary certificate (open-end)<br>-KGI Victory Money Market Fund | " | " | 4,325,783 | 50,015 | - | 50,015 |
| | Beneficiary certificate (open-end)<br>-Union Money Market Fund | " | " | 3,793,512 | 50,012 | - | 50,012 |
| | Beneficiary certificate (open-end)<br>-TCB Taiwan Money Market Fund | " | " | 4,928,245 | 50,000 | - | 50,000 |
| | Beneficiary certificate (open-end)<br>-Mega RMB Money Market Fund | " | " | 865,876 | 45,083 | - | 45,083 |
| | Listed stock-O Commercial Bank | " | Equity instruments investments at FVTOCI-current | 10,769,539 | 86,156 | 0.45% | 86,156 |
| | Unlisted stock-Addcn Technology Co. Ltd. | " | Equity instruments investments at FVTOCI-non-current | 148,000 | 2,265 | 18.50% | 2,265 |
| | Unlisted stock-Asia Hitachi Elevator | " | " | 6,760 | 78,169 | 10.00% | 78,169 |
| | Unlisted stock-King's World Investment Co., Ltd. | " | " | 21,090 | 900 | 0.03% | 900 |
| | Unlisted stock-TwNat Joint Venture Investment Co., Ltd. | " | " | 923,515 | 5,223 | 6.82% | 5,223 |
| | Unlisted stock-Ultralife Taiwan Inc. | " | " | 11,361,946 | - | 5.85% | - |
| Yungjiun Investment co., Ltd | Listed stock-The Company | Parent company | Treasury stock | 2,129,800 | 126,084 | 0.52% | 126,084 |
| | Unlisted stock-Digitimes Inc. | Non-related party | Equity instruments investments at FVTOCI-non-current | 112,500 | 2,375 | 0.42% | 2,375 |
| | Unlisted stock-Ultralife Taiwan Inc. | " | " | 900,000 | - | 0.46% | - |

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 4

| Company Name | Marketable Securities Type and Name | Financial Statement Account | Counter-party | Nature of Relationship | Beginning Balance | | Acquisition | | Disposal | | | | Ending Balance | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Shares/ Units (In Thousands) | Amount | Shares/ Units (In Thousands) | Amount | Shares/ Units (In Thousands) | Amount | Carrying Value | Gain on Disposal (Note) | Shares | Amount |
| Yungtay Elevator Equipment (China) Co. | Structured financing products | Financial assets at FVTPL-current | Shanghai Pudong Development Bank | None | - | - | - | 3,143,238 | - | 3,168,509 | 3,143,238 | 25,271 | - | - |
| Yungtay Elevator Equipment (China) Co. | Structured financing products | Financial assets at FVTPL-current | Bank of Communications Co., Ltd. | None | - | - | - | 223,400 | - | 228,820 | 223,400 | 5,420 | - | - |
| Yungtay Elevator Equipment (China) Co. | Structured financing products | Financial assets at FVTPL-current | Industrial and Commercial Bank of China | None | - | - | - | 1,519,120 | - | 1,528,427 | 1,519,120 | 9,307 | - | - |

Note: The structured financing products refer to the products with guaranteed profits purchased from the aforesaid banks, which promise the buyer to earn the interest income, i.e. gain on disposal of the aforementioned structured financing products, with guaranteed principal.

TABLE 5

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

| Company Name | Related Party | Nature of Relationships | Transaction Details | | | | Transaction with different trading condition | | Notes/Accounts Payable or Receivable | | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/ Sales | Amount | % to Total | Payment Terms | Unit Price | Payment Terms | Ending Balance | % to Total | |
| Yngtay Hitachi Construction Machinery Co., Ltd. | Japan Hitachi Construction Machinery Co., Ltd. | Investee of investing Co. accounted for using equity method | Purchases | 486,782 | 9.07% | 4~6Months after the goods were delivered | The price is marked-up 11~20% of cost | 4~6Months after the goods were delivered | 108,294 | 6.37% | - |

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 6

| Company Name | Related Party | Nature of Relationships | Ending Balance | Turnover Days | Overdue | | Amounts Received in Subsequent Period | Allowance for Bad Debts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action Taken | | |
| Yungtay Elevator Equipment (Tianjin) Co. | Yungtay Elevator Equipment (China) Co. | Parent Company and subsidiary | 800,906 | 1 | - | - | 98,296 | - |
| Yungtay Elevator Equipment (Sichuan) Co. | Yungtay Elevator Equipment (China) Co. | Parent Company and subsidiary | 115,413 | 5 | - | - | 106,338 | - |

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

TABLE 7

| No. | Company Name | Counter Party | Nature of Relationship (Note) | Intercompany Transactions | | | |
|---|---|---|---|---|---|---|---|
| | | | | Financial Statements Item | Amount | Terms | Percentage of Consolidated Net Revenue or Total Assets |
| 0 | The Company | Yungtay Elevator Equipment (China) Co. | 1 | Net revenue from sale of goods | $ 2,096 | Sale based on cost plus 20% | 0.01% |
| | | | | Accounts receivable | $ 835 | Payment term of 1~5 months | - |
| | | | | Purchases | $ 273,101 | Uncomparable | 1.84% |
| | | | | Accounts payable | $ 43,596 | 2~3 months after delivered | 0.20% |
| 1 | Yungtay Elevator Equipment (China) Co. | Yungtay Elevator Equipment (Tianjin) Co. | 3 | Net revenue from sale of goods | $ 56,673 | Sale based on cost plus 18% | 0.38% |
| | | | | Accounts receivable | $ 1,546 | Payment term of 1~6 months | 0.01% |
| | | | | Purchases | $ 841,070 | Based on cost plus 12% | 5.66% |
| | | | | Accounts payable | $ 800,906 | 30 days after delivered | 3.70% |
| | | Yungtay Elevator Equipment (Sichuan) Co. | 3 | Net revenue from sale of goods | $ 33,471 | Sale based on cost plus 5% | 0.23% |
| | | | | Accounts receivable | $ 4,029 | Payment term of 1 months | 0.02% |
| | | | | Purchases | $ 624,904 | Based on cost plus 5% | 4.21% |
| | | | | Accounts payable | $ 115,413 | 30 days after delivered | 0.53% |

Note: No.1 represents the transactions from parent company to subsidiary.
No.3 represents the transactions between subsidiaries.

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
(EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 8

| Investor Company | Investee Company | Location | Main Businesses and Products | Original Investment Amount | | Balance as of December 31, 2018 | | | Net Income (Losses) of the Investee (Foreign Currencies in Thousands) | Share of Profits/Losses of Investee (Note 1) (Foreign Currencies in Thousands) | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | December 31, 2018 (Foreign Currencies in Thousands) | December 31, 2017 (Foreign Currencies in Thousands) | Shares | Percentage of Ownership | Carrying Value (Foreign Currencies in Thousands) | | | |
| The Company | Yungtay Engineering Co. (HK) | 54F, Hopewell centre, 183 queen's road east, Hong Kong | In directly investing in Yungtay Elevator Equipment (China) Co. | US$ 11,100<br>NT$ 296,939 | US$ 11,100<br>NT$ 296,939 | 11,183,510 | 78.72% | US$ 199,148<br>NT$6,106,993 | US$ (8,618)<br>NT$(260,151) | US$ (6,697)<br>NT$(201,958) | |
| | Better Win Investment Co. (SAMOA) | Level 2, Lotemau Centre Vaea Stre et, Apia Samoa | Holding Company; Indirectly investing in Yungtay Elevator (China) through Yungtay Engineering (HK) | US$ 33,500<br>NT$ 1,045,647 | US$ 33,500<br>NT$ 1,045,647 | 33,500,000 | 100.00% | US$ 54,101<br>NT$1,658,996 | US$ (5,937)<br>NT$(179,226) | US$ (5,937)<br>NT$(179,226) | |
| | Taiwan Calsonic Co., Ltd. | 9F, No.99 Fu-Hsin N. Rd. Taipei | Car cooler sales, installation and after-Service and etc. | 156,943 | 156,943 | 12,900,000 | 20.16% | 239,864 | (161,352) | (32,530) | Associate |
| | Yungjiun Investment Co., Ltd. | 11F, No.99 Fu-Hsin N. Rd. Taipei | Investment | 85,000 | 85,000 | 8,500,000 | 100.00% | 16,878 | 4,294 | 35 | Subsidiary. The Company's share aquired by subsidiary is accounted for under treasury stock. |
| | Hitachi Construction Machinery Co., Ltd. | 10F, No.99 Fu-Hsin N. Rd. Taipei | Agent for the trading of domestic and foreign construction machinery | 65,280 | 65,280 | 6,528,000 | 51.00% | 182,968 | 116,318 | 59,322 | Subsidiary |
| | Evest Corporation | 10F, No.99 Fu-Hsin N. Rd. Taipei | SMT/LED/IC Packaging MEMS Packaging/Touch precision process equipment | 614,666 | 614,666 | 7,007,172 | 41.22% | 136,025 | 99,699 | 41,096 | Associate |
| Better Win Investment Co. | Yungtay Engineering Co. (HK) | 54F, Hopewell centre, 183 queen's road east, Hong Kong | Indirectly investing in Yungtay Elevator Equipment (China) | US$ 33,297 | US$ 33,297 | 3,022,570 | 21.28% | US$ 53,894<br>NT$1,652,660 | US$ (8,618)<br>NT$(260,151) | US$ (1,833)<br>NT$ (55,360) | Subsidiary |

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR YEAR ENDED DECEMBER 31, 2018
(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

TABLE 9

| Investee Company | Main Businesses and Products | Total Amount of Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2017 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (US$ in Thousands) | Net Income (Losses) of the Investee Company | Percentage of Ownership | Share of Profits/Losses |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Outflow | Inflow | | | | |
| Yungtay Elevator Equipment (China) Co. | Manufacturing, Sale of elevator and escalator and related accessories | US$ 56,000 thousand (NT$1,566,971 thousand) | Note 1 | US$ 5,702 thousand (NT$121,979 thousand) | - | - | US$ 5,702 thousand (NT$121,979 thousand) | RMB (58,133) thousand (NT$(261,976) thousand) | 100.00% | (261,976) thousand |
| Yungtay Elevator Equipment (Tianjin) Co. | " | RMB 200,000 thousand (NT$907,680 thousand) | Note 2 | - | - | - | - | - | 100.00% | - |
| Yungtay Elevator Installation Maintenance (Tianjin) Co. | " | RMB 3,500 thousand (NT$15,505 thousand) | Note 2 | - | - | - | - | - | 100.00% | - |
| Yungtay Elevator Installation Maintenance (Shanghai) Co. | " | RMB 20,000 thousand (NT$95,197 thousand) | Note 2 | - | - | - | - | - | 100.00% | - |
| Yungtay Elevator Equipment (Sichuan) Co. | " | RMB 152,000 thousand (NT$736,573 thousand | Note 2 | - | - | - | - | - | 100.00% | - |

| Investee Company | Carrying Amount as of December 31, 2018 | Accumulated Inward Remittance of Earnings as of December 31, 2018 | Accumulated Investment in Mainland China as of December 31, 2018 (US$ in Thousands) | Investment Amounts Authorized by Investment Commission, MOEA (US$ in Thousands) | Upper Limit on Investment | |
|---|---|---|---|---|---|---|
| Yungtay Elevator Equipment (China) Co. | 7,654,869 thousand | US$5,398 thousand and RMB289,621 Thousand (NT$1,569,843 thousand) | 121,979 thousand | 293,208 thousand | Investee Co. invested directly by Yungtay (HK) | 6,777,477 thousand |
| Yungtay Elevator Equipment (Tianjin) Co. | - | - | - | - | Investee Co. invested directly by Yungtay (Chinag) with its own capital | |
| Yungtay Elevator Installation Maintenance (Tianjin) Co. | - | - | - | - | Investee Co. invested directly by Yungtay (Tianjin) with its own capital | |
| Yungtay Elevator Installation Maintenance (Shanghai) Co. | - | - | - | - | Investee Co. invested directly by Yungtay (Chinag) with its own capital | |
| Yungtay Elevator Equipment (Sichuan) Co. | - | - | - | - | " | |

Note 1: Re-invested in company in Mainland China through a company incorporated.

Note 2: Directly invested in company in Mainland China through a company incorporated in Mainland China.

14. Operating segments information

(1) The Group has 7 reportable segments: Taiwan elevator, Mainland elevator, Taiwan elevator maintenance and repair, Mainland elevator maintenance and repair, electric engine, construction machinery (including maintenance) and other segment.

The Group uses the income/loss from operations before income tax as the measurement for the basis of performance assessment. The basis for such measurement is the same as that for the preparation of financial statements. Please refer to the consolidated statements of comprehensive income for the related segment revenue and operating results.

(2) The Group's reportable revenue, profit or loss, assets and liabilities were summarized as follows:

Year ended December 31, 2018 (Amounts in Thousands of NT$)

| | | Taiwan elevator | Mainland Elevator | Taiwan Elevator Maintenance and Repair | Mainland Elevator Maintenance and Repair | Electric Engine | Construction Machinery (including maintenance) | Other Segment | Adjustment and Elimination | Consolidation |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenu: | | | | | | | | | | |
| Revenue other than parent Co. and consolidated subsidiaries | $ | 3,167,331 | 6,695,874 | 2,740,657 | 1,337,744 | - | 892,335 | 24,687 | - | 14,858,628 |
| Revenue from parent Co. and consolidated subsidiaries | | 2,096 | 273,101 | 34 | - | - | - | 5,466 | (280,697) | - |
| Total revenue | $ | 3,169,427 | 6,968,975 | 2,740,691 | 1,337,744 | - | 892,335 | 30,153 | (280,697) | 14,858,628 |
| Total segment gross profit | $ | 356,808 | 1,008,419 | 1,441,329 | 411,330 | - | 194,118 | 24,451 | (717) | 3,435,738 |
| Interest income | | - | 54,856 | - | - | - | 3,338 | 5,441 | - | 63,635 |
| Interest expense | | - | - | - | - | - | - | 105 | - | 105 |
| Depreciation and amortization | | 39,668 | 329,260 | 8,876 | 1,190 | - | 2,022 | 17,644 | - | 398,660 |
| Share of profits of associates | | - | - | - | - | - | - | 8,566 | - | 8,566 |
| Other significant non-cash items: | | - | - | - | - | - | - | - | - | - |
| Segment profit/loss | $ | 120,453 | (306,086) | 1,055,172 | 112,040 | - | 135,788 | 35,865 | (98,563) | 1,054,669 |
| Total assets of segment | $ | 2,402,745 | 13,109,840 | 645,841 | 1,047,038 | - | 565,430 | 13,675,708 | (9,796,558) | 21,650,044 |
| Total liabilities of segment | $ | 2,050,567 | 5,965,673 | 317,345 | 424,945 | - | 206,668 | 1,258,630 | (45,373) | 10,178,455 |

Year ended December 31, 2017 (Amounts in Thousands of NT$)

| | | Taiwan elevator | Mainland Elevator | Taiwan Elevator Maintenance and Repair | Mainland Elevator Maintenance and Repair | Electric Engine | Construction Machinery (including maintenance) | Other Segment | Adjustment and Elimination | Consolidation |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenu: | | | | | | | | | | |
| Revenue other than parent Co. and consolidated subsidiaries | $ | 2,906,992 | 9,342,042 | 2,525,539 | 1,291,866 | 5,008 | 655,833 | 24,937 | - | 16,752,217 |
| Revenue from parent Co. and consolidated subsidiaries | | 2,365 | 88,355 | 35 | - | 985,995 | - | 5,465 | (1,082,215) | - |
| Total revenue | $ | 2,909,357 | 9,430,397 | 2,525,574 | 1,291,866 | 991,003 | 655,833 | 30,402 | (1,082,215) | 16,752,217 |
| Total segment gross profit | $ | 468,738 | 2,244,649 | 1,269,829 | 355,787 | 147,292 | 127,342 | 24,380 | (183,154) | 4,454,863 |
| Interest income | | - | 18,289 | - | - | - | 2,064 | 6,822 | - | 27,175 |
| Interest expense | | - | - | - | - | - | - | 89 | - | 89 |
| Depreciation and amortization | | 30,873 | 270,469 | 8,892 | 1,246 | 78,406 | 1,914 | 18,972 | - | 410,772 |
| Share of profits of associates | | - | - | - | - | - | - | (11,683) | - | (11,683) |
| Other significant non-cash items: | | - | - | - | - | - | - | - | - | - |
| Segment profit/loss | $ | 229,667 | 146,901 | 872,948 | 251,777 | 32,546 | 72,602 | 34,695 | (92,233) | 1,548,903 |
| Total assets of segment | $ | 2,580,332 | 13,974,524 | 628,104 | 909,008 | 1,705,122 | 623,830 | 14,137,066 | (10,629,149) | 23,928,837 |
| Total liabilities of segment | $ | 2,169,105 | 6,935,237 | 296,960 | 536,092 | 730,547 | 253,386 | 1,268,347 | (25,773) | 12,163,901 |

(3) Geographic information

Net Revenue from External:

| | | Customers | |
|---|---|---|---|
| | | Years Ended December 31 | |
| | | 2018 | 2017 |
| Taiwan | $ | 6,825,010 | 6,113,301 |
| Mainland | | 8,033,618 | 10,638,916 |
| Total | $ | 14,858,628 | 16,752,217 |

Non-current Assets:

| | | December 31 2018 | December 31 2017 |
|---|---|---|---|
| Taiwan | $ | 2,420,011 | 2,543,723 |
| Mainland | | 4,228,489 | 4,654,121 |
| Total | $ | 6,648,500 | 7,197,844 |

The Group categorized the net revenue mainly based on the country in which the customer is headquartered. Non-current assets include property, plant and equipment, intangible assets and other non-current assets.

(4) Major customers information

The revenue of major customer was not accounted for 10% of the total revenue in 2018 and 2017, respectively.